

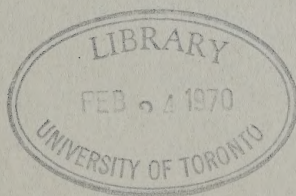
20N
2
3C52
3 1761 11968192 2

Government
Publications

Ontario. Legislative assembly. [Committees]
Select committee on consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario, on
the 26th day of June, 1963.





ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 A P P E A R A N C E S SELECT COMMITTEE ON CONSUMER CREDIT

2 Mr. John H. Proceedings of the hearing
3 held at the Parliament Build-
4 ings, Toronto, Ontario, on
5 the 26th day of June, 1963.

6 C O M M I S S I O N :

7 Mr. H.J. Price -- Chairman
8 Mr. J. Sedgwick, Q.C. -- Commission Counsel
9 Mrs. S. Dell -- Secretary
10 *****

11 P R E S E N T :

12 Mr. D.W. Irwin, C.A.A. -- Financial
13 Consultant
14 Mr. M. Belanger -- Member
15 Mr. P. Hoffman -- Member
16 Mr. W.G. Noden -- Member
17 Mr. L. Letherby -- Member
18 Mr. L. Reilly -- Member
19 Mr. J. White -- Member
20 Mr. D.C. MacDonald -- Member
21 Mr. G. Bukator -- Member
22 Mr. A.F. Lawrence -- Member

23 -----
24 A P P E A R A N C E S :

25 Mr. A.M. Greenaway -- President, A.M.
26 Greenaway & Company,
27 (Founder and Past
28 President of the
29 Mortgage Brokers'
30 Association)
31 Mr. John M. Hallinan -- General Manager,
32 Ontario Credit Union
33 League



SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of the hearing
held at the Parliament Building,
Toronto, Ontario, on
the 26th day of June, 1963.

C O M M I T T E E

Mr. H.J. Price -- Chairman
Mr. J. Sedgwick, Q.C. -- Commission Counsel
Mrs. E. Dell -- Secretary

P R E S E N T

Mr. D.W. Irwin, Q.A. -- (Invited)
Mr. M. Belanger -- Member
Mr. P. Hoffman -- Member
Mr. W.G. Hoden -- Member
Mr. L. Leberby -- Member
Mr. L. Reilly -- Member
Mr. J. White -- Member
Mr. D.C. MacDonald -- Member
Mr. G. Burkston -- Member
Mr. A.E. Lawrence -- Member

A P P E A R A N C E S

Mr. A.M. Greenway -- President, A.M. Greenway & Company (Fondren and East President of the Mortgage Brokers' Association)
Mr. John M. Hallinan -- General Manager, Ontario Credit Union League



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Toronto, Ontario
June 26th, 1963 II

1 A P P E A R A N C E S :

2 Mr. John H. Burton -- Assistant Super-
3 THE CHAIRMAN: Well, this morn visor of Examinations,
4 we have with us Mr. A.M. Greenaway, who is no stranger Ontario Credit Union
5 Mr. W.M. Jaffray -- Deputy Superintend- League
6 to the members of this Committee. Mr. ent of Insurance
7 here Mr. V.J. Simone -- Registrar of Collec-
8 benefit of his experience in the mortgage ment of Insurance

9 He is the founder and past president of
10 * * * * *
11 the Mortgage Brokers' Association; he was very helpful,
12 and took a very active part in the legislation under which
13 the mortgage brokers are now acting. He has a wealth of
14 knowledge about this subject.

15 Later on, I believe he will prepare and present
16 to us a written brief. In the meantime, he is here to
17 give us some of his general views as to how the present
18 legislation is working, and any other comments which he
19 may wish to make at this time.

20 I am very pleased to introduce to you, Mr. A.M.
21 Greenaway.

22 MR. GREENAWAY: Thank you, Mr. Chairman.

23 I wonder if I might be permitted to take off
24 my coat?

25 I will take your coat, sir.

26 MR. GREENAWAY: Thank you. It will lend
27 a little touch of respectability.

28 (Laughter.)

29 Mr. Chairman, gentlemen: I am very sorry that
30 I didn't have more notice of this. I would have liked to,
and hoped that I would be given the privilege of present-
ing you with a brief before the matter is



ANGUS STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

II.

A P P E A R A N C E S :

-- Assistant Super-
visor of Examinations
Ontario Credit Union
League

-- Deputy Superintend-
ent of Insurance

-- Registrar of Collec-
tion Agencies, Depart-
ment of Insurance

Mr. John H. Burton

Mr. W.M. Jeffrey

Mr. V.J. Simons

Digitized by the Internet Archive
in 2023 with funding from
University of Toronto



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

Toronto, Ontario
June 26th, 1963 251

/26/RPS

1 MEETING COMMENCING AT 10:00 A.M. the general situation
2 from a mortgage broker's viewpoint. I have, for the
3 past -- THE CHAIRMAN: Well, this morning, as you know,
4 we have with us Mr. A.M. Greenaway, who is no stranger
5 to the members of this Committee. Mr. Greenaway has come
6 here on very short notice, and he is going to give us the
7 benefit of his experience in the mortgage business.
8 He is the founder and past president of
9 the Mortgage Brokers' Association; he was very helpful,
10 and took a very active part in the legislation under which
11 the mortgage brokers are now acting. He has a wealth of
12 knowledge about this subject. the actual necessity at
13 that time Later on, I believe he will prepare and present
14 to us a written brief. In the meantime, he is here to
15 give us some of his general views as to how the present
16 legislation is working, and any other comments which he
17 may wish to make at this time. And due to the fact,
18 and I think I am very pleased to introduce to you, Mr. A.M.
19 Greenaway. Burton ran in the Toronto Daily Star which
20 were -- MR. GREENAWAY: Thank you, Mr. Chairman. these
21 articles. I wonder if I might be permitted to take off
22 my coat? on the general situation, we were not going to
23 get very far, and fortunately: I will take your coat, sir.
24 Mr. Burton MR. GREENAWAY: Thank you. It will lend
25 a little touch of respectability. and I think you all
26 remember (Laughter.) when on, the furor that was
27 created Mr. Chairman, gentlemen: I am very sorry that
28 I didn't have more notice of this. I would have liked to,
29 and hoped that I would be given the privilege of present-
30 ing you with a brief before the matter is business



---ON COMMENCING AT 10:00 A.M.

THE CHAIRMAN: Well, this morning, as you know,

we have with us Mr. A.M. Greenaway, who is no stranger to the members of this Committee. Mr. Greenaway has come here on very short notice, and he is going to give us the benefit of his experience in the mortgage business.

He is the founder and past president of the Mortgage Brokers' Association; he was very helpful, and took a very active part in the legislation under which the mortgage brokers are now acting. He has a wealth of knowledge about this subject.

Later on, I believe he will prepare and present to us a written brief. In the meantime, he is here to give us some of his general views as to how the present legislation is working, and any other comments which he may wish to make at this time.

I am very pleased to introduce to you, Mr. A.M.

Greenaway.

MR. GREENAWAY: Thank you, Mr. Chairman.

I wonder if I might be permitted to take off

my coat?

: I will take your coat, sir.

MR. GREENAWAY: Thank you. It will lend

a little touch of respectability.

(Laughter.)

Mr. Chairman, Gentlemen: I am very sorry that I didn't have more notice of this. I would have liked to and hoped that I would be given the privilege of present-



1 over, but I would like to discuss the general situation
2 from a mortgage broker's viewpoint. I have, for the
3 past -- I am going on my forty-fourth year in which I
4 have done nothing except be a genuine mortgage broker
5 all that period of time. Naturally, with that background,
6 I have run into every conceivable sort of situation that
7 you could imagine. I have, in the past, attempted to
8 form an association of mortgage brokers, but we were
9 unsuccessful. Many years ago, I realized that an
10 association was essential, but there were not enough
11 mortgage brokers in the business who were genuine mortgage
12 brokers and they didn't have the actual necessity at
13 that time. the Association, I would like to state this --
14 we would As the years went by, it became much more and
15 more apparent that we should have an association, so,
16 a second attempt failed. But, the third time, the third
17 time at bat we were successful. And due to the fact,
18 and I think entirely due, to the newspaper articles which
19 Mr. Pierre Burton ran in the Toronto Daily Star which
20 were -- I will admit that a few of us instigated these to
21 articles, because we felt that unless we could get
22 publicity on the general situation, we were not going to
23 get very far, and fortunately, our efforts to prove to
24 Mr. Burton that we had something that he could write
25 properly about were successful, and I think you all
26 remember that, from then on, the furor for that was
27 created and the interest created enabled us to solidify
28 our rights and form the association and the public less
29 became very much aware that there were two different in the
30 kinds of people in the mortgage brokerage business. at 18



over, but I would like to discuss the general situation from a mortgage broker's viewpoint. I have, for the past -- I am going on my forty-fourth year in which I have done nothing except be a genuine mortgage broker all that period of time. Naturally, with that background, I have run into every conceivable sort of situation that you could imagine. I have, in the past, attempted to form an association of mortgage brokers, but we were unsuccessful. Many years ago, I realized that an association was essential, but there were not enough mortgage brokers in the business who were genuine mortgage brokers and they didn't have the actual necessity at that time.

As the years went by, it became much more and more apparent that we should have an association, so a second attempt failed. But, the third time, the third time at that we were successful. And due to the fact, and I think entirely due, to the newspaper articles which Mr. Pierre Burton ran in the Toronto Daily Star which were -- I will admit that a few of us instigated these articles, because we felt that unless we could get publicity on the general situation, we were not going to get very far, and fortunately, our efforts to prove to Mr. Burton that we had something that he could write properly about were successful, and I think you all remember that, from then on, the furor that was created and the interest created enabled us to solidify our rights and form the association and the public became very much aware that there were two different



1 The kind that had some ethics and the kind that didn't
2 have any. The ones that didn't have any are the ones
3 that we hoped to either chase out of the business, or
4 bring them around to see the daylight.

5 Now, from that time on, you know what the
6 government did, and I am speaking this morning . . .

7 MR. REILLY: I would like to review that part
8 of the will, Mr. Chairman.

9 MR. GREENAWAY: I am speaking purely this
10 morning from my personal standpoint. I understand that
11 I was invited here as an individual; not as an represent-
12 ative of the Ontario Mortgage Brokers' Association. On
13 behalf of the Association, I would like to state this --
14 we would appreciate and hoped to put in a brief from the
15 Association's standpoint, but also, we have our problems
16 right now. This is summer holiday time, and everybody
17 in this business that knows anything about it is
18 particularly busy. I don't know when anybody else gets
19 any time to do any, because I don't seem to have any
20 other than chase business and do the business you have to
21 do. But, we have a general manager -- the Association
22 keeps a permanent office with a general manager, and
23 we have been fortunate in finding a jewel among people
24 who took an interest in this Association. The person
25 is Albert V. Orr, who is a retired bank man, and we
26 selected him from a number of applicants for this position,
27 and we found that Mr. Orr was so interested in what
28 we were trying to do, that he has just become priceless
29 as far as we are concerned. He is more interested in the
30 Association now than some of the members are, if that is



The kind that had some ethics and the kind that didn't
any. The ones that didn't have any are the ones
that we hoped to either chase out of the business, or
bring them around to see the daylight.

Government did, and I am speaking this morning

MR. KNILLY: I would like to review that part

of the will, Mr. Greenaway.

MR. GREENAWAY: I am speaking purely this

morning from my personal standpoint. I understand that

I was invited here as an individual, not as an representa-

tative of the Ontario Mortgage Brokers' Association. On

behalf of the Association, I would like to state this --

We would appreciate and hope to get in a brief from the

Association's standpoint, but also, we have our problems

right now. This is summer holiday time, and everybody

in this business that knows anything about it is

particularly busy. I don't know when anybody else gets

any time to do any, because I don't seem to have any

other than office business and do the business you have no

go. But, we have a general manager -- the Association

has a permanent office with a general manager, and

we have been fortunate in finding a few good people

who took an interest in this Association. The person

is Albert V. Orr, who is a retired bank man, and we

selected him from a number of applicants for this position

and we found that Mr. Orr was so interested in what

we were trying to do, that he has just become president



1 possible. He had a heart attack recently, and we would
2 have been able to have a brief on behalf of the Association
3 ready, had it not been for that. But, with a little bit
4 more time -- I understand that you are going to have
5 more meetings -- we can have a very good brief.

6 Now, when government made the legislation
7 registering mortgage brokers, it was a wonderful stride
8 forward in this business. It got people pegged, and
9 it brought into daylight those who were in the business.
10 A lot of people had been occupying their full time with
11 this business who were not ashamed of what they were doing,
12 but there were an awful lot who were working under cover,
13 and they were the ones that didn't like to see this
14 registration go through at all. They don't want any
15 restrictions on their operations in any way, shape or
16 form.

17 In the second mortgage business, naturally, you
18 cannot be running into costs of money which are greater
19 than first mortgage money. It is only natural. But,
20 I have never been able to make myself believe that anyone
21 who loans money at 12 per cent on a second mortgage is
22 taking an unfair advantage of anybody. Anyone who lends
23 money on a second mortgage and charges five points higher
24 than the first mortgage as people do, in no way, shape
25 or form can I be led to believe that he is charging
26 excessive interest rates. The second mortgage business
27 has numerous hazards, naturally, because of its position.
28 A man lending money on a second mortgage either has to
29 depend on the broker, otherwise he -- if he doesn't --
30 if he isn't knowledgeable and hasn't got a very good



possible. He had a heart attack recently, and we would
have been able to have a brief on behalf of the Association
ready, had it not been for that. But, with a little bit
more time -- I understand that you are going to have
more meetings -- we can have a very good price.
Now, when government made the legislation
registering mortgage brokers, it was a wonderful stride
forward in this business. It got people pegged, and
it brought into daylight those who were in the business.
A lot of people had been occupying their full time with
this business who were not ashamed of what they were doing,
and there were an awful lot who were working under cover,
and they were the ones that didn't like to see this
registration go through at all. They don't want any
restrictions on their operations in any way, shape or
form.
In the second mortgage business, naturally, you
cannot be running into costs of money which the government
that first mortgage money. It is only natural. But,
I have never been able to make myself believe that anyone
who loans money at 12 per cent on a second mortgage is
getting an unfair advantage of anybody. Anyone who lends
money on a second mortgage and charges five points higher
than the first mortgage as people do, in no way, shape
or form can I be led to believe that he is charging
excessive interest rates. The second mortgage business
was a hazardous business, naturally, because of its position.
A man lending money on a second mortgage either has to
stand on the proper, otherwise he -- if he doesn't --



1 knowledge of real estate and the general situation which
2 exists throughout the Province, he is going to be in a
3 very difficult spot. And, that is why a number of brokers,
4 quite a number of brokers have built up a good reputation
5 and have a large clientele of investors who loan their
6 money to the brokers. They realize that the broker is
7 in a position to, or should be in a position to, if he
8 is an honest broker to know a great deal more about how
9 his money should be invested than the individual himself.
10 This is true. So, I know that in my business, we have had
11 literally speaking hundred of clients over the years who,
12 more or less accept whatever my judgment is in these
13 matters without hesitation. There are some who we like
14 to -- they have enough knowledge, and we like them
15 to know exactly what we suggest to do with the money,
16 go and look at something if it is available.

17 You have the different types. You have those
18 who place their money unrestrictedly in your hands to
19 loan properly for them, and others who you ask if you
20 want to see certain places that are ready for investment.
21 The people want money and sometimes meet the people
22 themselves.

23 Both of these in this type of operation works
24 out very successfully, and, in many cases, the brokers
25 actually do the collecting on these loans. Now we,
26 in our office, we have quite a large collection business
27 where we service the loans completely. We not only
28 make the loans; we service them and look after them and
29 they are constantly in a state of flux
30 There are loans being made and loans being paid off. That



1 Knowledge of real estate and the general situation which
2
3 very difficult spot. And, that is why a number of brokers
4 quite a number of brokers have built up a good reputation
5
6 money to the brokers. They realize that the money is
7 in a position to, or should be in a position to, if he
8 is an honest broker to know a great deal more about how
9 his money should be invested than the individual himself.
10 This is true. So, I know that in my business, we have had
11 literally speaking hundreds of clients over the years who
12
13 matters without hesitation. There are some who we like
14 to -- they have enough knowledge, and we like them
15 to know exactly what we suggest to do with the money.
16
17 go and look at something if it is available.
18 You have the different types. You have those
19 who place their money unreservedly in your hands to
20 loan properly for them, and others who you ask if you
21 want to see certain places first are ready for investment.
22 The people want money and sometimes meet the people
23 themselves.
24
25 Both of these in this type of operation works
26 out very successfully, and, in many cases, the brokers
27 actually do the collecting on these loans. Now we,
28 in our office, we have quite a large collection business
29 where we service the loans completely. We not only
30 make the loans; we service them and look after them and



1 is the same as an institution, only we are operating on
2 a much smaller basis.

3 In my experience, I have run into many,
4 many transactions where it just galls you beyond belief
5 to realize that people are allowed to take advantage of
6 ignorant decent people -- hard workers who necessarily
7 have to borrow money, and I know of no better way of
8 borrowing money than borrowing it on your house.
9 If your house has a first mortgage, or even a small
10 second mortgage on it and you need money badly, you go to
11 the bank, and a man may be a workman. No matter how
12 good his reputation is, the bank, at different times
13 doesn't want to lend him any money. Many many times you
14 can go to the bank and the person who used to be able to
15 borrow money finds that the door is closed and he
16 goes to other sources. That forces him into the hands
17 of so-called finance companies -- these small companies
18 operating under the Small Loans Act.

19 I may be wrong, and I am subject to correction
20 on this, but it never was my opinion that the Small Loans
21 Act was meant to interfere or to cover small first
22 mortgage, either small second mortgages or first mortgages.
23 I have always thought that that Small Loans Act was
24 strictly for consumer finance.

25 Now, it is true that consumer finance can
26 probably include mortgages, but, I think most brokers'
27 opinion is that consumer finance is finance strictly
28 applicable to commercial properties; not to
29 properties in the nature of lands and buildings, but
30 to articles -- everything from automobiles down that the



is the same as an institution, only we are operating on a much smaller basis.

In my experience, I have run into many many transactions where it just falls far beyond belief to realize that people are allowed to take advantage of ignorant decent people -- hard workers who necessarily have to borrow money, and I know of no better way of borrowing money than borrowing it on your house.

If your house has a first mortgage, or even a small second mortgage on it and you need money badly, you go to the bank, and a man may be a workman. No matter how good his reputation is, the bank, at different times doesn't want to lend him any money. Many many times you can go to the bank and the person who used to be able to borrow money finds that the door is closed and he goes to other sources. That forces him into the hands of so-called finance companies -- these small companies operating under the Small Loans Act.

I may be wrong, and I am subject to correction on this, but it never was my opinion that the Small Loans Act was meant to interfere or to cover small first mortgage, either small second mortgages or first mortgages. I have always thought that that Small Loans Act was

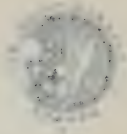
Now, it is true that consumer finance can probably include mortgages, but, I think most people, when they think of consumer finance, is thinking of properties; not to properties in the nature of lands and buildings, but



1 storekeeper or the consumer purchases and that can be
2 worn out and so forth.

3 The fact that the Act -- these people in the
4 consumer finance business have been -- I can find no
5 continuity, no manner at all in which they are trying to
6 conform to a specific rate of interest for their money.
7 They seem to confuse the issue, the borrower, or the
8 man to whom they are extending credit has no way of knowing
9 what the money is costing. Whereas with a second mortgage,
10 in most cases, the interest rate is specific. Some
11 bonuses are sometimes charged, but bonuses should not
12 be charged where the interest is going to be 12 per cent
13 or 11 or 10 per cent, occasionally. But, bonuses are
14 usually applicable where a man doesn't want the interest
15 to show at a rate of 10 or 11 or 12 per cent. They like
16 like it to show at seven. There is no harm that I can
17 see in conforming to the desires of a man who is borrow-
18 ing money for five years, or probably a five-year extension
19 on the first mortgage -- on the second mortgage; renewal
20 privilege -- he may want to sell that house, and so he
21 is using some of his equity at the present moment. He
22 borrows to get some of that equity back. He probably
23 wants to buy a new house, and he wants the cash ahead
24 of time. He may want to buy his wife a mink coat.
25 Any purpose at all; whether it is for a sensible reason, or
26 a reason we might not think it was sensible.

27 He asks if he can have his interest rate shown
28 at seven per cent. Now, this is a common practice, where
29 people say certainly, I have, on many occasions, done
30 this. I would rather see the interest at a straight



1 storekeeper on the consumer purchases and that can be

2 word out and so forth.

3 the fact that the Act -- these people in the

4 consumer finance business have been -- I can find no

5 conformity to a specific rate of interest for their money.

6 conform to a specific rate of interest for their money.

7 They seem to confuse the issue, the borrower, or the

8 man to whom they are extending credit has no way of knowing

9 what the money is costing. Whereas with a second mortgage

10 in most cases, the interest rate is specific. Some

11 houses are sometimes charged, but houses should not

12 be charged where the interest is going to be 12 per cent

13 or 11 or 10 per cent, occasionally. But, houses are

14 usually applicable where a man doesn't want the interest

15 to show at a rate of 10 or 11 or 12 per cent. They like

16 like it to show at seven. There is no harm that I can

17 see in conforming to the desires of a man who is borrow-

18 ing money for five years, or probably a five-year exten-

19 sion on the first mortgage -- on the second mortgage; renewal

20 privilege -- he may want to sell that house, and so he

21 is using some of his equity at the present moment. He

22 borrows to get some of that equity back. He probably

23 wants to buy a new house, and he wants the cash ahead

24 of time. He may want to buy his wife a milk cow.

25 Any purpose at all; whether it is for a sensible reason, or

26 a reason we might not think it was sensible.

27 He asks if he can have his interest rate shown

28 at seven per cent. Now, this is a common practice, where

29 I have, on many occasions, done

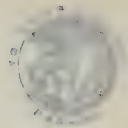
30 this. It is a common practice to have a borrower



1 specific rate. It is easier for everybody. But, when
2 a man wants it that way, there is no harm in doing it.
3 Some lenders used to have the idea that by giving the
4 bonus so that it made up the equivalent return they wanted,
5 this bonus was non-taxable. And, of course, this is
6 a situation where any solicitor will tell you he is not
7 sure because in somebody's opinion it is non-taxable,
8 and in the other person's opinion it is taxable. So,
9 who is right? You have to wait until the government
10 catches up with you, and then you have to fight the
11 Income Tax Department to find out who is correct. So,
12 it is six of one and a half a dozen of the other.

13 Meanwhile, this bonus business can be carried
14 to an extreme whereby a lot of illegitimate or
15 unconscionable brokers will tell the borrower that there
16 is a bonus attached to the mortgage, and every person
17 borrowing money -- if you tell them there is a bonus,
18 he is quite right in his belief that the bonus is being
19 charged by the lender. That should be the case, and
20 always there should be no question about it. If there
21 is a bonus attached to the loan, the bonus has to go to
22 the lender.

23 But, in many cases, it ends up in the broker's
24 pocket. Now, this is a highly reprehensible way of
25 doing business. It should definitely be eliminated. Many
26 a lender that I have found who has been dealing with
27 different people in the past, and he didn't know that
28 there was a bonus attached to the loan. He was getting
29 his 12 per cent interest, or his 10 per cent interest,
30 or 11. And the mortgage called for that, but there was a



specific rate. It is easier for everybody. But, when
a man wants it that way, there is no harm in doing it.
Some lenders used to have the idea that by giving the
bonus so that it made up the equivalent return they wanted
this bonus was non-taxable. And, of course, this is
a situation where any solicitor will tell you he is not
sure because in somebody's opinion it is non-taxable,
and in the other person's opinion it is taxable. So,
who is right? You have to wait until the government
catches up with you, and then you have to fight the
Income Tax Department to find out who is correct. So,
it is six of one and a half a dozen of the other.
Meanwhile, this bonus business can be carried
to an extreme whereby a lot of illegitimate or
unconscionable brokers will tell the borrower that there
is a bonus attached to the mortgage, and every person
borrowing money -- if you tell them there is a bonus,
he is quite right in his belief that the bonus is being
charged by the lender. That should be the case, and
always there should be no question about it. If there
is a bonus attached to the loan, the bonus has to go to
him, in many cases, it ends up in the broker's
pocket. Now, this is a highly reprehensible way of
doing business. It should definitely be eliminated. Many
lenders that I have found who have been dealing with
different people in the past, and he didn't know that
15 per cent interest, or his 10 per cent interest,
And the borrower called for that, but



1 bonus, and that bonus should have by law, should have
2 gone into his pocket. He didn't get it -- he didn't
3 ask for it. But, the broker charged it.

4 Now, it is easy to see that if a broker is
5 putting bonuses into his own pocket over and on top of
6 his legitimate fees, that he making an ungodly amount
7 of money, and people like myself and other brokers who
8 don't follow those practices, they get very much perturbed
9 over this situation, because one exposure of a situation
10 like this blackens the name of everybody else in the
11 business. And, this is what has been happening in the
12 past. But, this, giving the Act credit so far in the
13 way it is being handled, it is diminishing. But there
14 are always the few that have to be hit on the head with
15 a club before they will understand that they must conform
16 to new regulations. There is always somebody, no matter
17 what Act you have, or how much money you can make
18 legitimately, he has a great delight in taking the
19 so-called crooked deal or slippery deal and making
20 money that way. They will pass up bona fide business
21 in order to set a volume of business on a decent scale.
22 There is a lot of people who have a great delight in
23 putting one transaction through, where they can, with
24 their slippery methods, or underhanded methods, make
25 three, four, five or ten times the amount of money that
26 the legitimate man will make. This is natural. I guess
27 it applies in nearly every business.

28 However, one of the best ways now, in the
29 mortgage business, we naturally run into a great number
30 of cases where we are putting on a -- in searching the



1 bonus, and that bonus should have by law, should have
2 gone into his pocket. He didn't get it -- he didn't
3 ask for it. But, the broker charged it.

4 Now, it is easy to see that if a broker is

5 putting business in his own pocket over and on top of
6 his legitimate fees, that he makes an ungodly amount
7 of money, and people like myself and other brokers who
8 don't follow those practices, they get very much perturbed
9 over this situation, because one exposure of a situation

10 like this blackens the name of everybody else in the

11 business. And, this is what has been happening in the

12 past. But, this, giving the Act credit so far in the

13 way it is being handled, it is diminishing. But there

14 are always the few that have to be hit on the head with

15 a club before they will understand that they must conform

16 to new regulations. There is always somebody, no matter

17 what Act you have, or how much money you can make

18 legitimately, he has a great delight in taking the

19 so-called crooked deal or slippery deal and making

20 money that way. They will pass up bona fide business

21 in order to get a volume of business on a decent scale.

22 There is a lot of people who have a great delight in

23 putting one transaction through, where they can, with

24

25

26 the legitimate man will make. This is natural. I guess

27 it applies in nearly every business.

28 However, one of the best ways now, in the

29

30



1 title, we find that there is already a second mortgage on
2 which you are paying off. Perfectly proper, the thing
3 is matured and the man has to get another one if he can't
4 consolidate his present first and second into one new
5 one. He has to go out and borrow another second mortgage,
6 a loan. The tendency lately, in the last five years, or
7 particularly the last three years -- the tendency lately
8 has been for most brokers to frown on investing plans
9 that want to make the so-called short-term second mortgage
10 loan. A lot of people, particularly if they are on in
11 years, and remember this gentlemen, that the young man
12 never has any money, it is always the elderly people who
13 have the funds. And, as they get older, they don't want
14 their money to be tied up in the mortgage for too long
15 a period, because it is going to complicate their
16 estate. So, there were a lot of people in my experience
17 who used to say "Well, let me take it for three years
18 instead of five years", and on many an occasion I said
19 "No.", and the person was adamant, so I said, "Well, I
20 am sorry, but I will have to get this man the money somewhere
21 else." I felt that it wasn't in his interest to take
22 it for three years, and I knew I could get it for five
23 from somebody else.

24 The easiest way would be to take it for three
25 years, sell the idea to the borrower and make them
26 turn around at the end of three years and he has to go
27 and reborrow in order to pay the thing off, providing
28 the man doesn't bother to extend it. Now, that works both
29 ways. Not only does the borrower sometimes do this for
30 the simple reason that he figures that at the end of three



1 title, we find that there is already a second mortgage on
2
3 is married and the man has to get another one if he can't
4 consolidate his present first and second into one new
5 one. He has to go out and borrow another second mortgage,
6 a loan. The tendency lately, in the last five years, or
7 particularly the last three years -- the tendency lately
8 has been for most brokers to frown on investing plans
9
10 loan. A lot of people, particularly if they are on in
11 years, and remember this gentleman, that the young man
12 never has any money, it is always the elderly people who
13 have the funds. And, as they get older, they don't want
14 their money to be tied up in the mortgage for too long
15 a period, because it is going to complicate their
16 estate. So, there were a lot of people in my experience
17 who used to say "Well, let me take it for three years
18 instead of five years", and on many an occasion I said
19 "No", and the person was adamant, so I said, "Well, I
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100



1 years he can catch a higher rate, or he can turn the money
2 over, and maybe he can get an extra premium for an
3 extention. That type of borrower is not a good type of
4 borrower for the broker, except for the fact that the
5 type of broker that has that type of client, the more --
6 the faster the money turns over, naturally the more fees
7 the broker makes. But, it is not good business for the
8 borrower. So, the tendency has been, certainly in our
9 office, we have been extending the term, and have now
10 successfully gotten many, many of our clients to give the
11 man a five year renewal on a second mortgage, so that
12 he is not forced to go to the market and reborrow to
13 pay off a loan that, provided it has been kept up, is
14 not in arrears, we will let him have the privilege of a
15 renewal at the same rate, or at any different rate that
16 may be prevailing at the time; depending upon how the
17 privileges are given. This is an advantage, and it is
18 becoming more and more evident that the public are aware
19 that they can get money for ten years now instead of
20 five, so they are going to the people who offer them
21 a ten-year second mortgage. If you are talking a five-
22 year loan, they will come in any say "Well, what about
23 a renewal?", And it is becoming, in my opinion, quite
24 evident that within a short time, you will find that
25 nearly all the investors will be glad to give a person
26 a five-year renewal on a second mortgage. Now, these
27 are things that a lot of these short-term artists don't
28 like, because the money is gone and they can't loan it
29 over again, so they don't a fee on it again; but these
30 are the opportunists that we can do without.



years he can catch a higher rate, or he can turn the money over, and maybe he can get an extra premium for an extension. That type of borrower is not a good type of borrower for the broker, except for the fact that the type of broker that has that type of client, the more -- the faster the money turns over, naturally the more does the broker make. But, it is not good business for the borrower. So, the tendency has been, certainly in our office, we have been extending the term, and have not successfully gotten many, many of our clients to give the man a five year renewal on a second mortgage, so that he is not forced to go to the market and borrow to pay off a loan that, provided it has been kept up, is not in arrears, we will let him have the privilege of a renewal at the same rate, or at any different rate, that may be prevailing at the time; depending upon how the privileges are given. This is an advantage, and it is becoming more and more evident that the public are aware that they can get money for ten years now instead of five, so they are going to the people who offer them a ten-year second mortgage. If you are talking a five-year loan, they will come in and say "Well, what about a renewal?" And it is becoming, in my opinion, quite evident that within a short time, you will find that nearly all the investors will be glad to give a person a ten-year loan on a second mortgage, and that the borrower will be glad to take it and they can't loan it any longer, so they don't a fee on it again, but these



1 When we find that we are paying off a second
2 mortgage that is already in existence, we in many, many
3 case find a third mortgage or a fourth mortgage registered.
4 And, these finance companies that are registered under
5 the Small Loans Act -- they have got a third and a fourth,
6 and I have actually seen a fifth mortgage on property.
7 These finance companies with mortgages on one property,
8 subject to the existing first and second mortgage in the
9 normal way. In all cases, practically every case that
10 we have investigated, and there have been hundreds of them
11 -- the borrower didn't know that this second, this third,
12 fourth or fifth mortgage was on there, and I am really
13 convinced that they didn't know, Because they were
14 absolutely astounded, both the man and his wife in most
15 cases when they find that there is a land mortgage
16 registered against their property. They remember signing
17 papers where, sure, they signed a document, but
18 nobody can tell you what they signed. They have not
19 the slightest recollection of what they signed. They
20 never had any copies of documents. They know they
21 signed the chattel mortgage; they knew they signed a note.
22 Now, there are two things, and then they end up, we
23 find there is a third or fourth mortgage registered
24 against the property itself.

25 Well, surely the Small Loans Act was never
26 intended that companies licensed under the Small Loans
27 Act to lend money on chattels that take security were
28 supposed to take the equity of a man's property at the
29 same time. I contend that the Small Loans Act never
30 had that -- it was never that idea. But, nevertheless,

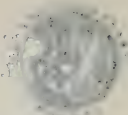


1
2 mortgage that is already in existence, we in many, many
3 cases find a third mortgage or a fourth mortgage registered.
4 And, these finance companies that are registered under
5 the Small Loans Act -- they have got a third and a fourth
6 and I am not sure if they have got a fifth and a sixth.
7 They have got a third mortgage and a fourth mortgage
8 subject to the existing first and second mortgage in the
9 normal way. In all cases, practically every case that
10 we have looked at, and I have seen two hundred or two
11 hundred and fifty cases, and in all cases, and in all
12 cases, the third mortgage was subject to the first and second
13 mortgages. And I am not sure if they have got a fifth and a sixth
14 and a seventh mortgage. But I am not sure if they have got a fifth and a sixth
15 and a seventh mortgage. But I am not sure if they have got a fifth and a sixth
16 and a seventh mortgage. But I am not sure if they have got a fifth and a sixth
17 papers where, sure, they signed a document, but
18 nobody can tell you what they signed. They have not
19 the slightest recollection of what they signed. They
20 never had any copies of documents. They know they
21 signed the chattel mortgage; they knew they signed a note.
22 Now, there are two things, and then they end up, we
23 find there is a third or fourth mortgage registered
24 against the property itself.
25 Well, surely the Small Loans Act was never
26 intended that companies licensed under the Small Loans
27 Act to lend money on chattels that take security under
28 supposed to make the equity of a man's property at the
29 time of the loan, and that the Small Loans Act never
30 was intended to be a law that they should have to pay for the property.



1 they're using it every chance they get. If they think that
2 the loan is at all -- maybe thin -- that the equity, that
3 the security isn't good enough, they will invariably
4 take a collateral mortgage. And, it isn't always
5 collateral either if there is a regular mortgage on the
6 place. Now they have a note, they have a chattel mortgage
7 and they have a land mortgage, all of which are
8 independent of each other; although they are intended to
9 serve the same purpose, and that sometimes they are
10 actually stated that it is collateral to the note, and
11 collateral to the chattel mortgage. But, these things
12 cause the borrower a lot of additional costs. They have
13 to be postponed, then they turn around and they say
14 "No, we want our money", so they force the money back
15 ahead of maturity because they have got this nuisance
16 value in there on the property. This is something that
17 is serious, because it has caused many a person a lot
18 of extra costs, and we have found that the finance
19 companies that have these third and fourth mortgages which
20 were actually collateral to the note and the chattel
21 mortgage -- they take the position, that, all right,
22 we have got the fellow over a barrel. Now, here's a
23 chance to make him pay off. And, in many cases when
24 they go to pay these things off, they weren't offered
25 any rebate on the interest that had been piled up ahead
26 of time.

27 This is something that we are fighting constantly
28 and beginning to have much better luck with, because these
29 finance companies, rather than have any publicity, are
30 beginning to rebate some of the costs if you are paying a



the loan is at all -- maybe this -- that the equity, that
the security isn't good enough, they will invariably
take a collateral mortgage. And, it isn't always
collateral either if there is a regular mortgage on the
place. Now they have a note, they have a chattel mortgage
and they have a land mortgage, all of which are
independent of each other, although they are intended to
serve the same purpose, and that sometimes they are
actually stated that it is collateral to the note, and
collateral to the chattel mortgage. But, these things
cause the borrower a lot of additional costs. They have
to be postponed, then they turn around and they say
"No, we want our money", so they force the money back
ahead of maturity because they have got this nuisance
value in there on the property. This is something that
is serious, because it has caused many a person a lot
of extra costs, and we have found that the finance
companies that have these third and fourth mortgages which
were actually collateral to the note and the chattel
mortgage -- they take the position, that, all right,
we have got the fellow over a barrel. Now, here's a
chance to make him pay off. And, in many cases when
they go to pay these things off, they weren't offered
any rebate on the interest that had been piled up ahead
of time.

This is something that we are fighting constantly
and beginning to have much better luck with, because these
finance companies, rather than have any publicity, are

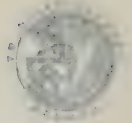


1 loan off ahead of time. In many many cases they have
2 insisted on complete, full payment, and then if you find
3 out that for the length of time that the money was out
4 that the actual cost to the borrower was fantastic --
5 30, 40 per cent sometimes.

6 These situations are -- I have found, and I
7 say this without fear of contradiction -- that every
8 borrower that has ever been in my office has had, without
9 exception, been told the exact interest rate he is going
10 to pay. He is told the exact costs he is going to pay.
11 And, in my lifetime, I have never had anybody object to
12 my proposition. I must admit that they don't always
13 accept it, but they are free to go out and find someone
14 who will do it cheaper.

15 Now this is the point. If a man is told
16 before he is going to make a deal what he is faced with,
17 there isn't any question in my mind at all, gentlemen,
18 that if this position is taken; there isn't any borrower,
19 no matter how stupid he is, that when he is confronted
20 with some figures that the interest is this much; the
21 costs are this much, ~~it is a~~ very simple matter to
22 relate the two of them into what it is costing him in
23 reality for the term. And these things can be done by
24 a schedule -- you can get a schedule on anything these
25 days -- they shove them through the I.B.M. machines and
26 you can have anything you want. They are very simple,
27 and they are accurate.

28 Now, the man knows that he is paying 18 per
29 cent, 15 per cent, 24 per cent -- I don't care if he is
30 just a man who is wielding a shovel on the street, he knows



1 loan off ahead of time. In many many cases they have
2 insisted on complete, full payment, and then if you find
3 out that for the length of time that the money was out
4 that the actual cost to the borrower was fantastic --
5 30, 40 per cent sometimes.

6 These situations are -- I have found, and I
7 say this without fear of contradiction -- that every
8 borrower that has ever been in my office has had, without
9 exception, been told the exact interest rate he is going
10 to pay. He is told the exact costs he is going to pay.
11 And, in my lifetime, I have never had anybody object to
12 my proposition. I must admit that they don't always
13 accept it, but they are free to go out and find someone
14 who will do it cheaper.

15 Now this is the point. If a man is told
16 before he is going to make a deal what he is faced with,
17 there isn't any question in my mind at all, gentlemen,
18 that if this position is taken; there isn't any borrower,
19 no matter how stupid he is, that when he is confronted
20 with some figures that the interest is this much; the
21 costs are this much. It's a very simple matter to
22 relate the two of them into what it is costing him in
23 reality for the term. And these things can be done by
24 a schedule -- you can get a schedule on anything these
25 days -- they shove them through the I.B.M. machines and
26 you can have anything you want. They are very simple,
27 and they are accurate.

28 Now, the man knows that he is paying 16 per
29 cent, 15 per cent, 24 per cent -- I don't care if he is



1 what a dollar bill is worth. He knows that so many dollars
2 on a hundred means so much interest, and he goes back to
3 his home and he discusses this with his wife or (says
4 so and so: I could get this money, but it is going to
5 cost us 18 per cent.

6 He went around the block, and somebody else's
7 price is 16-1/2; somebody else's price is 15. The prudent
8 man is going to turn around and do business with the
9 one who is giving him the best deal. He is not going to
10 step in there and take the first loan that is offered to
11 him if he knows that he has the right to go out and shop
12 around for a better deal. There is no use in arguing the
13 fact that a man shouldn't pay more than a certain price
14 for money. There are cases -- many, many cases where
15 it is perfectly proper for a man to pay high rates of
16 interest to get money that he wants, depending on what
17 he wants it for -- depending on what his need for the
18 money is; what created the need; what's he going to gain
19 by getting this money. I have always felt that it wasn't
20 right to legislate what a man may ask for his money, as
21 long as the person that is borrowing the money has the
22 right to go and do better. He can shop around and get a
23 better rate.

24 I have unlimited instances of people who pay
25 -- on a first-class mortgage security -- have paid not
26 only 12 per cent; they have paid 15, 18, 24 per cent.
27 I can cite you cases of people that have paid 30 per cent
28 and more for interest, and with their eyes wide open,
29 knowing exactly what it is going to cost them. But, they
30 weigh the advantages of having the money which they haven't



1 what a dollar bill is worth. He knows that so many dollars
2 on a hundred means so much interest, and he goes back to
3 his home and he discusses this with his wife or says
4 so and so: I could get this money, but it is going to
5 cost me 18 per cent.
6 He went around the block, and somebody else's
7 office is 16-1/2; somebody else's price is 15. The person
8 who is going to turn around and do business with the
9 one who is giving him the best deal. He is not going to
10 step in there and take the first loan that is offered to
11 him if he knows that he has the right to go out and shop
12 around for a better deal. There is no use in arguing the
13 point with a fellow who is going to go around and shop
14 for money. There are cases -- many, many cases where
15 the borrower is going to get a better deal than the lender.
16 interest to get money that he wants, depending on what
17 he wants it for -- depending on what his need for the
18 money is; what created the need; what's he going to gain
19 by getting this money. I have always felt that it wasn't
20 going to interest me to get any money at all.
21 I don't see how it is possible for a man to get a better
22 deal on a loan than the lender. I don't see how it is possible
23 for a man to get a better deal on a loan than the lender.
24 -- on a first-class mortgage security -- have paid not
25 less than 10 per cent, and I don't see how it is possible
26 I can cite you cases of people that have paid 30 per cent
27 and more for interest, and with their eyes wide open,
28 knowing exactly what it is going to cost them. But, they
29 with the advantages of having the money which they have



1 got themselves. Their credit is stretched as far as it
2 can go, and they still want to grab--they still want to
3 extend their activities; maybe they are in a position where
4 they can see where nobody else can. They realize they
5 must cover up, they have got to have some money. And,
6 they go out and pay what would appear to this Committee
7 to be fantastic interest rates for such money. But, it
8 is being done every day in business, big business.

9 Now little business is the same way, some of these men
10 are -- some of these borrowers are faced with -- remember
11 this: that the borrower who gets a writ or a letter
12 that frightens the life out of him, a lot of these people
13 are ignorant. They feel that even to go in and ask
14 a lawyer for an opinion is going to cost them some money,
15 and they would rather -- everywhere they go -- they go
16 to the banker, the banker won't let them have any money,
17 so what's the good of taking the banker's advice if he
18 won't give them any money.

19 They go to a lawyer -- they go to someone who
20 doesn't handle money, he can't do anything for them.
21 The lawyer's business is divided the same as anyone else's
22 business. There are lawyers in this country, in this
23 City who never go into to do anything but court work.
24 Mr. Sedgwick can give you the details. There are lawyers
25 that wouldn't know how to draw up a mortgage. Mr. Sedgwick,
26 am I right?

27 MR. SEDGWICK: I would say not many in Toronto.

28 MR. GREENAWAY: And, it is amazing that there
29 are specialists of all types in every business, and the
30 law business is divided into specialties. A great number



can go, and they still want to grab--they still want to
extend their activities; maybe they are in a position where
they can see where nobody else can. They realize they
must cover up, they have got to have some money. And,
they go out and pay what would appear to this Committee
to be fantastic interest rates for such money. But, it
is being done every day in business, big business.
Now little business is the same way, some of these men
are -- some of these borrowers are faced with -- remember
this: that the borrower who gets a writ on a letter
that frightens the life out of him, a lot of these people
are ignorant. They feel that even to go in and ask
a lawyer for an opinion is going to cost them some money,
and they would rather -- everywhere they go -- they go
to the banker, the banker won't let them have any money,
so what's the good of taking the banker's advice if he
won't give them any money.
They go to a lawyer -- they go to someone who
doesn't handle money, he can't do anything for them.
The lawyer's business is divided the same as anyone else's
business. There are lawyers in this country, in this
city who never go into to do anything but court work.
Mr. Sedgwick can give you the details. There are lawyers
that wouldn't know how to draw up a mortgage. Mr. Sedgwick,
MR. SEDGWICK: I would say not many in Toronto.
MR. GREENAWAY: And, it is amazing that these
big business of all types in every business, and the



1 of the lawyers have found that it is very remunerative
2 to be in the mortgage business.

3 Let us not overlook the fact, gentlemen, that
4 it isn't only mortgage brokers that have been criticized
5 in the past. The mortgage brokers themselves can criticize
6 the lawyer, because we run into these cases all the time,
7 where giving a person a loan, they produce the details
8 of the previous transaction -- the one that took place
9 ten years ago. They have got the documents, and you find
10 out, upon analyzing the situation that it isn't only some
11 of the mortgage brokers who are really greedy. Some of
12 the lawyers have been just as greedy, if not worse, and
13 they have the advantage over the mortgage brokers, in that
14 they know the law thoroughly -- they have unlimited
15 opportunities of not treating the people properly if
16 they wish to carry out their business that way.

17 Let's face it, there are bad actors in every
18 line of business. These are the things we are trying to
19 cure. But, I maintain that if a borrower knows what the
20 money is costing him, I have never in my experience known
21 a man who really objected. He says "Well, I think I
22 can do a little better." Well, that's fine. This is
23 the best I can do. Now a broker is a fool if he doesn't
24 realize that he is acting in a dual capacity. He is
25 acting for the man with the money, and he is acting for
26 the man that wants the money.

27 Now, a good broker is going to get the borrower
28 the best deal he can, and also he will realize, as I came
29 to realize many years ago that I had some clients a
30 long time ago that were very greedy -- or became very

of the lawyers have found that it is very remunerative to be in the mortgage business.

Let us not overlook the fact, gentlemen, that it isn't only mortgage brokers that have been criticized in the past. The mortgage brokers themselves can criticize the lawyer, because we run into these cases all the time, where giving a person a loan, they produce the details of the previous transaction -- the one that took place ten years ago. They have got the documents, and you find out, upon analyzing the situation that it isn't only some of the mortgage brokers who are really greedy. Some of the lawyers have been just as greedy, if not worse, and they have the advantage over the mortgage brokers, in that they know the law thoroughly -- they have unlimited opportunities of not treating the people properly if they wish to carry out their business that way.

Let's face it, there are bad actors in every line of business. These are the things we are trying to cure. But, I maintain that if a borrower knows what the money is costing him, I have never in my experience known a man who really objected. He says "well, I think I can do a little better." Well, that's fine. This is the best I can do. Now a broker is a fool if he doesn't realize that he is acting in a dual capacity. He is acting for the man with the money, and he is acting for the man that wants the money.

Now, a good broker is going to get the borrower the best deal he can, and also he will realize, as I came



1 greedy, because they had been doing business with me,
2 and I was giving them say 12 per cent interest on second
3 mortgages and the current going rate on first.
4 But, so many private people think that, well, maybe they
5 should have a little bit more, so if the trust company's
6 rate is seven per cent, or seven and a half -- but they
7 usually give something for that, and that is, they will
8 give the privileges that the institutions wouldn't give
9 for prepayment. And, the borrower will always -- and I
10 say this with very little fear of contradictions -- that
11 the average borrower would rather pay a half point more,
12 or a point more; particularly the foreign element; the
13 newcomers to this country. They would far rather pay
14 one point more interest as long as the door is wide open
15 for them to pay that money back in a hurry. They will
16 pay more than that. I have had people offer me 10 per cent
17 interest on first mortgages, as long as they could have
18 an open mortgage.

19 Now, there are people, institutions won't
20 give these privileges, and they wouldn't bargain. The
21 decent company wouldn't bargain anyway. If the loan isn't
22 good enough to take at the regular rate, they are not
23 going to take it because you offer them a half point more
24 or a point more. The odd one will do these things.

25 Once again, you come to the same situation that
26 exists in the lending institutions. We have certain
27 types of institutions that don't follow the same methods
28 or procedure that the others do. You have the same
29 classifications in



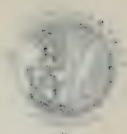
greedy, because they had been doing business with me.
But I was giving them a half point more on first
mortgages, and the current going rate on first.
But, so many private people think that, well, maybe they
should have a little bit more, so if the trust company's
rate is seven per cent, or seven and a half -- but they
usually give something for that, and that is, they will
give the privileges that the institutions wouldn't give
for prepayment. And, the borrower will always -- and I
say this with very little fear of contradiction -- that
the average borrower would rather pay a half point more,
or a point more; particularly the foreign element; the
newcomers to this country. They would far rather pay
one point more interest as long as the dollars wide open
for them to pay that money back in a hurry. They will
pay more than that. I have had people offer me 10 per cent
interest on first mortgages, as long as they could have
an open mortgage.
Now, there are people, institutions won't
give these privileges, and they wouldn't bargain. The
decent company wouldn't bargain anyway. If the loan isn't
good enough to take at the regular rate, they are not
going to take it because you offer them a half point more
or a point more. The odd one will do these things.
Once again, you come to the same situation that
exists in the lending institutions. We have certain
types of institutions that don't follow the same pattern



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

269

1 You have the same methods of procedure
2 that the others do. You have the same classifications
3 in that phase of the business as we have. You have
4 the institution that is very proper and proud of
5 their reputation and that institution is proud of
6 the fact that they are making more money than anyone else
7 is,
8 but they are taking the people, they haven't got one ---
9 they have got a price for you and they have got a price
10 for me and they have got a price for somebody else.
11 It depends on who is making an appeal. Unfortunately,
12 there is not, by and large, the bulk of them are
13 standard and they have an association loan --- they
14 try to keep things on a reasonable plane --- that
15 is exactly what our association is trying to do --- trying
16 to bring a way to avoid chaos, trying to get this
17 fellow that won't see daylight either to bring him into the
18 fold and make him behave or let's get rid of him
19 altogether. Let the Government come in. We are
20 going to do our best to help them, but this is a
21 situation where people who have money ---- get up on
22 that point there --- we are speaking about the
23 difference in the interest rate. Well, the --- you
24 say, well, why should a man pay 10% for first
25 mortgage money. He is glad to pay it, because he
26 knows he can pay it back much faster than the people
27 who normally want to pay it back. Therefore, the
28 time he is going to pay that eight or nine or ten
29 percent over and above the 7% plan --- is going to
30 be very short, and he is saving money by having a



the same methods of procedure
that the others do. You have the same classifications
in that phase of the business as we have. You have
the institution that is very proper and proud of
their reputation and that institution is proud of
the fact that they are making more money than anyone else
is.
but they are taking the people, they haven't got one
they have got a price for you and they have got a price
for me and they have got a price for somebody else.
It depends on who is making an appeal. Unfortunately,
there is not, by and large, the bulk of them are
standard and they have an association loan --- they
try to keep things on a reasonable plane --- that
is exactly what our association is trying to do --- trying
to bring a way to avoid chaos, trying to get this
fellow that won't see daylight either to bring him into the
fold and make him behave or let's get rid of him
altogether. Let the Government come in. We are
going to do our best to help them, but this is a
situation where people who have money --- get up on
that point there --- we are speaking about the
difference in the interest rate. Well, the --- you
say, well, why should a man pay 10% for a
mortgage money. He is glad to pay it, because he
knows he can pay it back much faster than the people
time he is going to pay that eight or nine or ten
percent over and above the 7% plan. Is going to
be very slow, but he is saving money by waiting



1 higher interest rate and getting rid of the debt that
2 much quicker. Mind you, those people are in the
3 minority, but they exist and this has been quite a
4 problem, because they just won't borrow money unless
5 they have the right to prepay and we are constantly
6 arguing with investors who give these privileges and
7 thereby --- in fact we have been so successful, and
8 I speak of myself and other fellows that have the
9 same mental attitude as I have toward these things,
10 we get together and compare notes and we are
11 striving for the same and we have had quite an influence
12 with our private investors by getting them to give people these
13 privileges. They get more ways and means of getting
14 an offer for--- on a loan which is more favourable than
15 a trust company offers, because you get these
16 privileges to the borrower. Now, it is getting to the
17 point where the trust companies or lending institutions, are
18 instead of being inflexible as they were in they years
19 gone by, they are now becoming much more flexible, and
20 they are beginning to give privileges to the
21 borrowers. They always should have, because I claim the man
22 who wants to borrow money, nobody should tie him up
23 for an indefinite period or a long period of time and
24 force him to pay that interest rate if he can avoid it.
25 Now, even though there were offered premiums a lot
26 of people wouldn't take it. They insisted on making
27 straight loans over the entire life until the
28 contract was ended, but I think those days are gone.
29 The lender has got to in order to
30 compete with the more aggressive lender -- change his tune



higher interest rate and getting rid of the debt that
much quicker. Mind you, those people are in the
minority, but they exist and this has been quite a
problem, because they just won't borrow money unless
they have the right to repay and we are constantly
arguing with investors who give these privileges and
thereby --- in fact we have been so successful, and
I speak of myself and other fellows that have the
same mental attitude as I have toward these things.
we get together and compare notes and we are
striving for the same and we have had quite an influence
with our private investors by getting them to give people the
privileges. They get more ways and means of getting
an offer for --- on a loan which is more favourable than
a trust company offers, because you get these
privileges to the borrower. Now, it is getting to the
point where the trust companies or lending institutions are
instead of being inflexible as they were in ten years
gone by, they are now becoming much more flexible, and
they are beginning to give privileges to the
borrowers. They always should have, because I claim the man
who wants to borrow money, nobody should tie him up
for an indefinite period or a long period of time and
force him to pay that interest rate if he can avoid it.
Now, even though there were offered premiums a lot
of people wouldn't take it. They insisted on making
straight loans over the entire life
contract was ended, but I think those days are gone



and they are doing it. I can go to any number of institutions today and get --- I can sit down and discuss a loan and I can get a lot of privileges if they realize that they are not going to get the business unless they try and meet what we want them to have to try and meet.

Now, an investor a broker who has a client -- the broker who has a client who is hungry, if that broker makes the mistake of acceding to the client's request for a higher interest rate, which he could very easily do, because brokers, by and large, are good salesmen --- let's fact it. and, ~~and~~ or, they should be, or they wouldn't be in the business. Now, it is very easy to talk a borrower into a deal that is going to give one or two points or maybe more to the lender, and if you have a lender that says "I want 15% for my money, second mortgage", and you want to take the easy way out, you can get people, bona fide, ~~and who come in~~, and if they want to borrow money, say, "Look, do we have it this morning. If we have to pay 15% --- let's settle it right now". You would be surprised how many times they will do that. Now, the minute you give a lender that extra three percent the next deal he wants the same --- only he wants a little better. He gradually is pushing you and pushing you further and further up the ladder. Now, this is bad business and the minute they have attempted to do that, we just simply draw the line and cut them off, and say go and get your business as a money lender



and they are doing it. I can go to any
number of institutions today and get --- I can sit
down and discuss a loan and I can get a lot of
privileges if they realize that they are not going to
get the business unless they try and meet what we want
them to have to try and meet.
Now, an institution's broker who has a client
--- the broker who has a client who is
hungry, if that broker makes the mistake of according
to the client's request for a higher interest rate,
which he could very easily do, because brokers, big
and large, are good salesmen --- let's face it,
and, or, they should be, or they wouldn't be in the
business. Now, it is very easy to talk a borrower
into a deal that is going to give one or two points
or maybe more to the lender, and if you have a lender
that says "I want 15% for my money, second mortgage",
and you want to take the easy way out, you can get
people, bona fide,
who agree to it, and if they want to borrow money,
say, "Look, do we have it this morning. If we have to pay
15% --- let's settle it right now". You would be
surprised how many times they will do that. Now, the
minute you give a lender that extra three per cent
the next deal he wants the same --- only he wants a
little better. He gradually is pushing you and pushing
you further and further up the ladder. Now, you
had business and the minute they have attempted to do
that we just simply draw the line and cut them off.



1 somewhere else, because we are not going to do it.

2 As soon as you stop that line of lending, you

3 are at the mercy of the lender, and that's a bad

4 thing for a broker to be in, because you have got to

5 be able to ---

6 You should be able to give the borrower the fairest

7 deal you can get him, and there isn't a broker worth

8 his salt that who hasn't got any number of clients who

9 are reasonable and fair and there are some whose only

10 type of client they have got, is the avaricious type

11 and that is why these deals cause all the trouble - that come

12 to light now and then. It is done by a small group

13 the same as in the legal profession. It is a small

14 group that creates this situation. They don't want

15 to see things changed, because it is a very lucrative

16 place to be in, to be able to put all these big

17 fancy fees in their pocket. Now, I think without

18 exaggeration and without question,

19 the one thing this Committee must keep in mind --- I hope

20 you don't think I am trying to tell you how to run your

21 business --- but disclosure to the borrower will

22 eliminate, I think, the greatest problem we have got

23 in this province, and I don't think it is going to

24 hurt anybody to have disclosure. Why would a man who

25 is lending money be afraid to let the borrower know

26 what it is costing? The only reason they are afraid

27 to let him know is you are ashamed of what you are

28 taking from him, and therefore you don't want to be

29 labelled a Scrooge or a Shylock and so on, and so you

30 do it under the table, but any person worth his salt



anywhere else, because we are not going to do it.

As soon as you stop that line of lending, you

are at the mercy of the lender, and that's a bad

thing for a broker to be in, because you have got to

be able to --

You should be able to give the borrower the fastest

deal you can get him, and there isn't a broker worth

his salt that who hasn't got any number of clients who

are reasonable and fair and there are some whose only

type of client they have got, is the average type

and that is why these deals cause all the trouble -- that comes

to light now and then. It is done by a small group

the same as in the legal profession. It is a small

group that creates this situation. They don't want

to see things changed, because it is a very lucrative

place to be in, to be able to put all these big

fees in their pocket. Now, I think without

exaggeration and without question,

the one thing this Committee must keep in mind --- I hope

you don't think I am trying to tell you how to run your

business --- but disclosure to the borrower will

eliminate, I think, the greatest problem we have got

in this province, and I don't think it is going to

hurt anybody to have disclosure. Why would a man who

is lending money be afraid to let the borrower know

what it is costing? The only reason they are afraid

to let him know is you are ashamed of what you are

taking from him, and therefore you don't want to be

labeled a Srooge or a Shylock and so on, and so you

are under the table, but you pay your money his salt



1
2 I have never been ashamed of any deal I have ever given
3 anybody, because it is worth it.

4 and in many instances any time a broker has to ----

5 Remember this: There ~~is~~ just as much time and expense
6 involved in a man a loan of \$1,500.00 or \$2,000.00 as
7 to give him \$200,000.00, sometimes a great deal more.

8 And after all, a broker has only got two things
9 to sell, in my opinion. His knowledge and his time
10 or his ability to raise money, and he acquires that
11 over a long period of time. You don't learn it by
12 going to school, let me tell you. You don't acquire
13 clients by letting them know you are in business. You
14 acquire clients by having them trust you and depend on
15 you, and it takes a good many years to build up a good
16 clientele. I certainly am not going to have it

17 ruined by giving a terrible deal to somebody and have
18 it come to light and you soon lose all your clients,
19 but there are people who this particular type of

20 lender has to do business with a certain particular
21 type of broker who does business with a certain

22 particular type of borrower which is the fellow whose
23 tongue is hanging out, and they have got to take

24 to these places, because decent firms won't do
25 business with them. First of all, his security

26 may ~~not~~ not be just the right type. Secondly, the

27 amount they want is too heavy if the broker or lender

28 starts ~~to~~ to overlook the equity position in his loan,

29 why he soon ends up with the short end of the stick,

30 and he would be in more trouble than he knows how to handle and



1 he will get out of the second mortgage business very
2 fast. But the legitimate broker is not afraid of
3 disclosure. I can assure you that I would like to see
4 it, and there is no --- now, it is a simple matter.
5 I just brought along, for instance, a table and to
6 show you how easy this procedure is, I will say that
7 the cost as far as fees are concerned, if Simpsons or Eatons
8 reason for charging more profit for the same article,
9 the public is going to go to the one that is charging
10 the smallest profit, provided the quality is the same.
11 The same thing applies to this business. If you have
12 a broker who is charging too high fees, but his
13 money is the same, the public will gravitate
14 to the broker whose fees are less. It is a very, very
15 easy thing to ---- I wouldn't worry about the fee
16 end of it. If the man is willing to pay the fee, he
17 has got a deal if he hasn't been shopping, and if he
18 shops around and knows --- and many, many --- I am
19 amazed at the number of people of the public who phone up.
20 They see you are a member of the Ontario Mortgage
21 Brokers' Association. They are becoming very cognizant
22 of the fact that we have an association. We are out
23 for one thing. We are trying to suppress all this
24 nonsense. We are trying to get the regulations. We
25 are trying to get the Government to back us up. We
26 want the fellow who is a bad actor put out of business.
27 We have no place in our organization for him, and I
28 feel that that thing should apply everywhere --- that
29 I think myself that there are too many lawyers who are
30 in the business who are not registered. That is one



1 he will get out of the second mortgage business very
2 fast. But the legitimate broker is not afraid of
3 disclosure. I can assure you that I would like to see
4 it, and there is no --- now, it is a simple matter.
5 I just brought along, for instance, a wife and to
6 show you how easy this procedure is, I will say that
7 the cost as far as fees are concerned, in Ontario or British
8 Columbia, for charging more profit for the same article,
9 the public is going to go to the one that is charging
10 the smallest profit, provided the quality is the same.
11 The same thing applies to this business. If you have
12 a broker who is charging too high fees, but his
13 money is the same, the public will gravitate
14 to the broker whose fees are less. It is a very, very
15 easy thing to --- I wouldn't worry about the fee
16 end of it. If the man is willing to pay the fee, he
17 has got a deal if he hasn't been shopping, and if he
18 shops around and knows --- and many, many --- I am
19 amazed at the number of people of the public who phone up.
20 They see you are member of the Ontario Mortgage
21 Brokers' Association. They are becoming very concerned
22 of the fact that we have an association. We are out
23 for one thing. We are trying to suppress all this
24 nonsense. We are trying to get the regulations. We
25 are trying to get the Government to back us up. We
26 want the fellow who is a bad actor out of business.
27 We have no place in our organization for him, and I
28 think myself that there are too many lawyers who are
29 in the position of ---



1 recommendation in our brief that we will make, but
2 there are a great number of these points that I have
3 discussed today now, that I would like to spend just
4 one more minute on this to show you the matter
5 of easy it is to determine ---- to show an investor
6 what he is going to get and to show a borrower what
7 it is going to cost him for a loan. I have tables
8 here that we have prepared for our business, and this
9 shows loans running from one year and going up in
10 half years up to twelve years. We very seldom have a
11 second mortgage of longer than twelve years, so this
12 is a second mortgage table. Now, if a mortgage is
13 bearing a rate of 5%, 5½, 6, 6½, 7, 7½ --- in that range.
14 In that range you will always find the interest rate
15 on a mortgage. Suppose your man is going to -- if you
16 want to get a yield here of 12%, these tables are
17 based on giving the lender a yield of 12%, and the
18 man wants to borrow \$4,000.00 for five years at 7%....
19 this is on a mortgage --- you have just sold your
20 house --- and you have got a second mortgage back for
21 \$4,000.00 for five years at 7% interest. You come in
22 and you want to sell that mortgage, and I want to
23 buy it at a rate that will give my client exactly
24 12% on his money. I just look up on this table and
25 I find that the discount rate is .15625 and you will
26 multiply that by the \$4,000.00, and you have got your
27 discount, and there it is. Then you take that
28 discount and divide it into the five-year period ---
29 that gives you your annual discount; add it to the
30 7% interest and you will find it works out to 12%



recommendation in our brief that we will make, but
there are a great number of these points that I have
discussed today now, that I would like to spend just
one more minute on this, to show you the matter
of easy it is to determine --- to show an investor
what he is going to get and to show a borrower what
it is going to cost him for a loan. I have tables
here that we have prepared for our business, and this
shows loans running from one year and going up in
half years up to twelve years. We very seldom have a
second mortgage of longer than twelve years, so this
is a second mortgage table. Now, if a mortgage is
bearing a rate of 5%, 5 1/2%, 6%, 7%, 7 1/2% --- in that range.
In that range you will always find the interest rate
on a mortgage. Suppose your man is going to --- if you
want to get a yield here of 12%, these tables are
based on giving the lender a yield of 12%, and the
man wants to borrow \$4,000.00 for five years at 7%.
This is on a mortgage --- you have just said your
house --- and you have got a second mortgage back for
\$4,000.00 for five years at 7% interest. You come in
and you want to sell that mortgage, and I want to
show you how to do it. I just look up on this table and
multiply that by the \$4,000.00, and you have got your
discount, and there it is. Then you take that
--- and divide it into the five-year period ---
that gives you your annual discount; add it to the
--- interest and you will find it comes out to 12%



1 right on the button every time. MR. GREENAWAY: Pardon
me?

2 MR. REILLY: Would you repeat that, please.

3 MR. REILLY: Would you mind repeating that,

4 Mr. Greenaway.

5 MR. GREENAWAY: Well, this table that we
6 operate from is designed to show the investor what he
7 is going to get on his money as well as show the
8 borrower what is going to pay for his money. And it
9 covers the rate of interest running from 5% to 8%,
10 and the duration of time from one year and half years
11 up to 12 years. Now, in that range you will find it
12 covers practically everything that makes a second
13 mortgage up to 12%. Now, beyond this we do not go
14 with second mortgage interest. We don't handle any
15 seconds that are higher than 12% on paper.

16 MR. MacDONALD: Right.

17 MR. GREENAWAY: And so you can find out
18 in a moment if a man wants to get --- if a man wants
19 to sell me a mortgage and if I try to sell it to you,
20 I point out to you, look, we want to make a man a 12%
21 loan that --- or if you are buying a mortgage at 7%
22 interest rate, and it has five years to run. The
23 discount is --- the rate is .15625. You multiply that
24 by the number of thousands in the face value of the
25 mortgage, and if it is \$4,200.00, it would be 4.2,
26 and your answer is the discount exactly, and that discount
27 gives you exactly 12% along with the 7 that you are
28 getting each year on your mortgage, plus the one-fifth
29 of that annual or three years on that five-year premium ---
30 if it is five or four years, as you see, divide



of the button every time. MR. GREENAWAY: Pardon

MR. RILEY: Would you repeat that, please.

MR. RILEY: Would you mind repeating that.

MR. GREENAWAY: Well, there is one thing we

operate from is designed to show the investor what we

is going to get on his money as well as show one

borrower what is going to pay for his money. And in

covers the rate of interest running from 5% to 8%.

and the duration of time from one year and half years

up to 15 years. Now, in that range you will find it

covers practically everything that makes a second

mortgage up to 15%. Now, beyond that we do not go

with second mortgage interest. We don't handle any

seconds that are higher than 15% on paper.

MR. McDONALD: Right.

MR. GREENAWAY: And so you can find out

in a moment if a man wants to get --- if a man wants

to sell me a mortgage and if I try to sell it to you.

I point out to you, look, we want to make a man a 15%

loan that --- or if you are buying a mortgage at 7%

interest rate, and it has five years to run. The

discount is --- the rate is .15625. You multiply that

by the number of thousands in the face value of the

mortgage, and if it is \$4,200.00, it would be 4.2,

and your answer is the discount exactly, and that discount

gives you exactly 15% along with the 7 that you are

getting each year on your mortgage, plus the one-fifth

of the principal in three years and half years.

It is simple. If you have 100,000, divide



1 it by that, and you will find that that gives you
2 exactly 12% --- not any more and not any less.

3 MR. REILLY: The 12%, though, actually
4 is the bonus part, and 7% is interest on top of that?

5 MR. GREENAWAY: That is correct. If you are ---

6 MR. MacDONALD: Yes. Has it been your
7 practice up to now, for example, when you loan at 7%,
8 that the effective rate is 12%, to let the borrower know
9 that his effective rate is 12%?

10 MR. GREENAWAY: Definitely it would be 12%.

11 Definitely. In other words, we do very
12 little of this. The only reason for having a table
13 like this is when you are buying mortgages and quite
14 a number of people sell their homes and take back the
15 second mortgage, they do. maybe it is five
16 years and five to go, renewal privileges for
17 five.

18 Well, after two or three years they find
19 that something happens --- they have to wait for the five,
20 six, seven, eight years money, let's get it now.
21 Now, there is no guesswork if you follow it. We have
22 got a real buyer where we want it to yield our
23 client 12%, but we just show the investor. We say, look,
24 12% is all there is. That is not bad. It is
25 as good as they expect to get. You work it out in
26 front of them ---

27 MR. MacDONALD: This is the way you have
28 been operating, therefore, obviously, you have no
29 objection to a full disclosure, which I presume ---

30 MR. GREENAWAY: None whatever. In fact that



it by that, and you will find that and gives you
exactly 1% --- not any more and not any less.

is the bonus part, and 1% is interest on top on that?

MR. GREENAWAY: That is correct. If you are -

MR. McDONALD: Yes. Has it been your

practice up to now, for example, when you loan at 1%

that the effective rate is 1%, to let the borrower know

that his effective rate is 1%?

MR. GREENAWAY: Definitely it would be 1%.

Definitely. In other words, we do very

little of this. The only reason for having a table

like this is when you are paying mortgages and drifts

a number of people sell their homes and take back the

second mortgage, they do. Maybe it is five

years and five to get, renewal privileges for

Well, after two or three years they find

that something happens --- they have to wait for the five

six, seven, eight years money, let's get it now.

Now, there is no question if you follow it. We have

got a real payoff where we want it to yield our

about 12%, but we just show the investor. We say, look,

1% is all there is. That is not bad. It is

as good as they expect to get. You work it out in

from it ---

MR. McDONALD: This is the way you have

been operating, therefore, obviously, you have no

sector to a full disclosure, which I presume ---

MR. GREENAWAY: In fact, the



1 is why these are ---

2 MR. MacDONALD: But the question I want to
3 get to is this, though: If you have been operating in
4 this way, then you would have no objection to it.

5 MR. GREENAWAY: None whatever.

6 MR. MacDONALD: But is there not a significant
7 proportion of the trade which has not been disclosing
8 and certainly in the first instance wouldn't be too
9 happy with the proposition that they would inform their
10 clients that the rate is 7, but the effective rate is
11 12 or 15, 18?

12 MR. GREENAWAY: Well, probably 90% of the
13 people who would object to it.

14 MR. MacDONALD: I didn't hear that.

15 MR. GREENAWAY: Probably 90% of the people
16 would object to it, but those who don't object to it
17 would like to see it happen, and our
18 Mortgage Brokers' Association certainly is in favour
19 of it. A good number of people like myself --- and
20 with the others who are not in the Association would
21 be glad to have it established full disclosure

22
23 MR. MacDONALD: But do I get you correctly ---
24 do you say that the Association and 10% of its
25 members are in favour, but 90% are not?

26 MR. GREENAWAY: No, no. MR. MacDONALD: I
27 say that I was considering that of the registered
28 brokers in the province I think probably maybe I should --
29 Three-quarters of them would
30 rather have no disclosure. Now, when I say brokers, I am
including everybody who ---



this way, then you would have no objection to it

MR. GREENAWAY: None whatever.

MR. MACDONALD: But is there not a significant

proportion of the trade which has not been disclosed

and certainly in the first instance wouldn't be too

happy with the proposition that they would inform their

clients that the rate is 7, but the effective rate is

12 or 15, 16?

MR. GREENAWAY: Well, probably 20% of the

people would object to it.

MR. GREENAWAY: I don't know.

MR. GREENAWAY: Probably 20% of the people

would object to it, but those who don't object to it

would like to see it happen, and certainly

the Government would like to see it happen.

of it. A good number of people like myself --- and

with the others who are not in the Association would

be glad to have it established full disclosure

MR. MACDONALD: But do I get you correctly ---

the Government would like to see it happen.

members are in favour, but 20% are not.

MR. GREENAWAY: Yes, I think so.

say that I was considering that of the registered

members in the province I think probably maybe I should

three-quarters of them would

say that I was considering that of the registered



33/ss.

1 I am including everybody who is in the mortgage business,
2 because there are a lot of people in the business who
3 are not registered, but a lot of lawyers are --- I
4 consider them mortgage brokers. 99% of their
5 business pertains to mortgages and
6 doing business with mortgage brokers that are lending
7 money --- they always do. And a lot of these people,
8 a lot of the lawyers won't like to see disclosure,
9 and a lot of the brokers won't like to see it.

10 MR. WHITE: But this is what should happen.
11 Disclosure, I would say you gentlemen would be ---
12 disclose your business ---

13 MR. GREENAWAY: And the fee business, if
14 disclosure is made in a case the interest rate --- the
15 man can shop around and they are shopping today as
16 never before. They are beginning to learn that they
17 can go to --and if they go to the mortgage broker in
18 the Association, they will find pretty well that
19 everyone is quoting the same rate, and if he isn't, why,
20 they will call up somebody else in the business and
21 as soon as you get the details briefly of what his
22 story is, you automatically say, well, our rate will
23 be 12% or 11% or 10% --- we are cutting our rates
24 below 12% occasionally and not too often, but where
25 the situation warrants it, we are cutting our rate more
26 than 10%.

27 Then, the next thing is this gimmick
28 advertising ---- it is a curse to the business. It
29 is the absolute curse to the business --- it leads
30 the public to believe they can get something that isn't



I am including everybody who is in the mortgage business, because there are a lot of people in the business who are not registered, but a lot of lawyers are --- I consider them mortgage brokers. Q: Of them business pertains to mortgages and doing business with mortgage brokers that are lending money --- they always do. And a lot of these people a lot of the lawyers won't like to see disclosure, and a lot of the brokers won't like to see it.

MR. WHITE: But this is what should happen disclosure, I would say you gentlemen would be --- disclose your business ---

MR. GREENAWAY: And the fee business, if disclosure is made in a case the interest rate --- the man can shop around and they are shopping today as never before. They are beginning to learn that they can go to --- and if they go to the mortgage broker in the Association, they will find pretty well that everyone is paying the same rate, and if he isn't, why they will call up somebody else in the business and as soon as you get the details pretty of what his story is, you automatically say, well, our rate will be 1% or 1 1/2 or 1 3/4 --- we are cutting our rates below 1% occasionally and not too often, but when the situation warrants it, we are cutting our rates more than 1%.

Then, the next thing is this gimmick advertising --- it is a course to the business. It is the absolute course to the business --- it leads the public to believe they can get something that isn't



1 available and then they get the fast-buck operator
2 when they get into his clutches, why ---

3 MR. WHITE:

4 and I have just a couple of quick questions I would like
5 to ---

6 Mr. Greenway is coming back
7 again, but you go ahead if you like.

8 MR. WHITE: Is the broker's fee in
9 addition to the interest charge?

10 MR. GREENAWAY: Definitely.

11 MR. WHITE: And is it a schedule fee?

12 MR. GREENAWAY: It is not a schedule fee as
13 yet, but ---

14 MR. WHITE: Would you object to a schedule
15 fee?

16 MR. GREENAWAY: No. I personally wouldn't
17 object to a schedule fee, but it is going to be very
18 difficult to --- I would --- but I have no objection
19 to a schedule of fees as a maximum, but as to a minimum
20 I would say I would definitely have an objection,
21 because every case almost is an individual case ---
22 there is no such thing as duplication exactly. You
23 may have a lot. You see, once again,
24 time. It is not easy to arrange some of these loans.

25 MR. MacDONALD: Who pays the fee?

26 MR. GREENAWAY: Always the borrower. Not
27 always --- occasionally you can get some fees from the
28 lender, in which event, it helps you keep the fee
29 to the borrower down.

30 MR. MacDONALD: What would it be on an

available and then they get the fast-track operator

when they get into his clinics, why ---

MR. WHITE:

and I have just a couple of quick questions I would like

Mr. Greenway is coming back

again, but you go ahead if you like

MR. WHITE: Is the problem's fee in

addition to the interest charges?

MR. GREENWAY: Definitely.

MR. WHITE: And is it a scheduled fee?

MR. GREENWAY: It is not a scheduled fee as

yet, but ---

MR. WHITE: Would you object to a scheduled

fee?

MR. GREENWAY: No, I personally wouldn't

object to a scheduled fee, but it is going to be very

difficult to --- I would --- but I have no objection

to a schedule of fees as a maximum, but as to a minimum

I would say I would definitely have an objection,

because every case almost is an individual case ---

there is no such thing as duplication exactly. You

may have a lot --- you see, once again.

time. It is not easy to arrange some of these loans.

MR. MACDONALD: Who pays the fee?

MR. GREENWAY: Always the borrower. Not

always --- occasionally you can get some fees from the

lender, in which event, it helps you keep the fee

to the borrower down.

MR. MACDONALD: What would it be on an



1 ordinary house mortgage?

2 MR. GREENAWAY: On an ordinary house mortgage
3 any financial institution, 1%. And there
4 are some institutions that don't pay the broker any
5 money. They are cheap enough that they want to keep ---
6 they want the business without paying for it, and we
7 hope that in a short time our Association can convince
8 all of these ones that are reluctant to pay
9 it is in their interest to pay a commission to the
10 broker.

11 In which case you wouldn't
12 charge the borrower ---

13 MR. GREENAWAY: I think ---

14 You wouldn't charge the
15 borrower in that case?

16 MR. GREENAWAY: Pardon me?

17 Would you charge the borrower?

18 MR. GREENAWAY: Yes. Your day when a
19 broker can operate on 1% is long since gone. Forty years
20 ago when I first went into this business --- 43 years
21 ago --- we were getting 1%, and of course

22 1% for first mortgages. There was practically
23 no second mortgage business done in those days.

24 Now, you said the bonus
25 by law has to go to the lender.

26 MR. GREENAWAY: Definitely it should.

27 It should, but that is not
28 the law of the land, is it?

29 MR. GREENAWAY: If you --- If I tell you
30 you are a borrower and I give you an offer of a mortgage,

MR. GREENAWAY: On an ordinary house mortgage any financial institution, I think, and there are some institutions that don't pay the broker any money. They are cheap enough that they want to keep -- they want the business without paying for it, and we hope that in a short time our Association can convince all of these ones that are reluctant to pay it is in their interest to pay a commission to the broker.

Is which -- are you wouldn't

change the borrower ---

MR. GREENAWAY: I think ---

You wouldn't change the

borrower in what case?

MR. GREENAWAY: I don't know

Would you change the borrower?

MR. GREENAWAY: Yes. Your day when a

broker can operate on it is long since gone. Forty years

ago when I first went into this business --- 45 years

ago --- we were getting it, and of course

the first mortgages there was practically

no second mortgage business done in those days.

Now you need the house

by law has to go to the lender

MR. GREENAWAY: Definitely it should.

It should, but that is not

the law of the land, is it?

MR. GREENAWAY: If you --- if I sell you

you are a borrower and I give you an offer of a mortgage,



1 and I say "Give me the cost of this loan," and I say
2 to you that the terms are such-and-such --- legal fees,
3 disbursements, valuation between commission and X
4 number of dollars on top of which you will pay a bonus
5 of \$1,000.00. Now, the inference is that in 99 cases
6 it says directly that the borrower is --- the lender
7 is charging a bonus. If you are the lender, or if
8 the borrower knew that in addition to my fees I was
9 putting a \$1,000.00 bonus in my pocket, I don't care
10 how desperate you were for money, you would consider
11 that I should be locked up or I should be put in the
12 stocks and pelted with rotten eggs and everything
13 else and exposed as one of the biggest vultures in
14 the world. This is what is going on.

15 But it is against the
16 law for the borrower to ---

17 MR. GREENAWAY: I'd say it is. It is ---
18 unless I disclose to you that there is a bonus --- the
19 lender. Definitely the man should get the bonus, but
20 I think that the law would take that attitude. I don't
21 know if it is against the law to --- that
22 or not, but I don't think there has ever been a case
23 in court that I can remember, but definitely if I were
24 to tell a borrower that there is a bonus attached to
25 the loan --- Now, if there is a bonus and it is going
26 in my pocket, it is just thieving.

27 Well, if we go back to
28 the case that Mr. Simone gave yesterday of something
29 like \$2,800.00, and he in effect, persuaded them to
30 give back a thousand. This man gave back a thousand,



and I say "give me the cost of this loan," and I say
to you that the terms are such-and-such --- legal fees,
disbursements, valuation between commission and X
number of dollars on top of which you will pay a bonus
of \$1,000.00. Now, the inference is that in 99 cases
it says directly that the borrower is --- the lender
is charging a bonus. If you are the lender, or if
the borrower knew that in addition to my fees I was
putting a \$1,000.00 bonus in my pocket, I don't care
how desperate you were for money, you would consider
that I should be looked up or I should be put in the
stocks and pelted with rotten eggs and everything
else and exposed as one of the biggest villains in
the world. This is what is going on.
But it is against the

law for the borrower to ---
MR. GREENAWAY: I'd say it is. It is ---
unless I disclose to you that there is a bonus --- the
lender. Definitely the man should get the bonus, but
I think that the law would take that attitude. I don't
know if it is against the law to
or not, but I don't think there has ever been a case
in court that I can remember, but definitely if I were
to tell a borrower that there is a bonus attached to
the loan --- Now, if there is a bonus and it is going
in my pocket, it is just thieving.

Well, if we go back to
the case that Mr. Simon gave yesterday of something
like \$2,800.00, and he in effect, persuaded them to
give him a loan. This man gave them a loan



1 because he knew that if it ever got into court, then
2 he would be convicted.

3
4 I don't think it is a question of doubt

5
6 In fact, I can show you
7 incidents, many, many incidents where I have got
8 documentation, documentary proof --- bonus to the
9 mortgagee. Now, after all, what are you going to ---
10 are you going to call a spade a spade. It is written
11 right there --- bonus to the mortgagee and the mortgagee
12 never got the bonus. Now, if these cases were ever
13 brought into court, there is only one answer to it.

14 How does the mortgagee ---

15 MR. GREENAWAY: He doesn't know.

16 MR. LAWRENCE: ---let the broker get away
17 with it. Doesn't he get a copy of the ---

18 MR. GREENAWAY: No. The mortgagee doesn't
19 get a copy of the mortgage. He hands his money over
20 to the lawyer or broker, and is finished with it. He ---

21 MR. LAWRENCE: Maybe the mortgagee should
22 get a copy of the ---

23 MR. GREENAWAY: Well, no mortgagee that I
24 have ever heard of has handed his lawyer or any
25 representative a cheque until he had written instructions
26 what to do with it. It is all done verbally most of
27 the time. You are taking the loan, all right, you ---
28 would you send me in a cheque, Joe, and you get a cheque
29 in the mail for \$5,000.00 the next morning and you
30 proceed to close the deal.

because he knew that if it ever got into court, then
he would be convicted.

I don't think it is a question of doubt

In fact, I can show you

incidents, many, many incidents where I have got
documentation, documentary proof -- bonds to the
mortgagee. Now, after all, what are you going to do
are you going to call a spade a spade. It is written
right there -- bonds to the mortgagee and the mortgagee
never got the bonds. Now, if these cases were ever
brought into court, there is only one answer to it.
How does the mortgagee ---

MR. GIBSON: He doesn't know.

MR. LAWSON: --let the broker get away

with it. Doesn't he get a copy of the ---

MR. GIBSON: No. The mortgagee doesn't

get a copy of the mortgage. He hands the money over
to the lawyer or broker, and is finished with it. He ---
MR. LAWSON: Maybe the mortgagee should

get a copy of the ---

MR. GIBSON: Well, no mortgagee that I

have ever heard of has handed his money or a
representative a cheque until he had written instructions
what to do with it. It is all done verbally most of
the time. You are taking the loan, all right, you ---
would you send me in a cheque, Joe, and you get a cheque
in the mail for \$2,000.00 the next morning and you
proceed to close the deal.



1
2 now requiring the mortgage rates ---
3 to guarantee the mortgages?

4 MR. GREENAWAY: No. I never have felt that,
5 and I don't think anybody in our Association feels
6 that it is necessary to get a bill. We ---
7 Wouldn't that cure what
8 you are just saying now?

9 MR. GREENAWAY: No. I don't think it would
10 make any difference in it at all. The mortgagee is
11 getting his interest, and that is all he is concerned
12 with, because he knows that the borrower is paying the
13 commission, and the borrower is paying the legal fees,
14 the disbursements ---

15 This is a bonus?

16 MR. GREENAWAY: Pardon?

17 This is a bonus?

18 MR. GREENAWAY: This is a bonus, it is a bonus,
19 yes.

20 Elected to go to the mortgagor?

21 MR. GREENAWAY: It is a bonus and it is
22 elected to go to the mortgagor, then ---

23 And the mortgage contract
24 is elected to the mortgagor --- that the mortgagee gets.

25 MR. GREENAWAY: Yes, you get a bonus, yes.

26 But the mortgagee doesn't
27 get it.

28 MR. GREENAWAY: That's right.

29 --- it is pocketed by the
30 broker, and wouldn't this situation be cured where the



now regarding the mortgage rates --

to guarantee the mortgage.

MR. GREENAWAY: No. I never have felt that,

and I don't think anybody in our Association feels

that it is necessary to get a bill. We --

What is that you mean?

You are just saying now.

MR. GREENAWAY: No. I don't think it would

make any difference in it at all. The mortgage is

getting his interest, and that is all he is concerned

with, because he knows that the borrower is paying the

commission, and the borrower is paying the legal fees.

the disbursements --

This is a bonus.

MR. GREENAWAY: Random?

This is a bonus.

MR. GREENAWAY: This is a bonus, it is a bonus.

Yes.

Directed to go to the mortgage.

MR. GREENAWAY: It is a bonus and it is

directed to go to the mortgage, then --

And the mortgage contract

is directed to the mortgage -- that the mortgage gets

MR. GREENAWAY: Yes, you get a bonus, yes.

Has the mortgage been?

MR. GREENAWAY: That's right.

--- It is provided by the

broker, and wouldn't this situation be where the



1 mortgagee got a copy of the statement?

2 MR. GREENAWAY: No. I would rather see --- I
3 see what you mean and in order to cure that it would be

4 I would say that is a bonus
5 charged to the mortgagee for obtaining a bonus. It
6 would be in order to --- it would be in order to notify
7 and have some regulation where the mortgagee
8 his bonus, he can hardly risk getting it, but --

9 as long as you get a bonus .

10 You said that sobriety under

11
12 MR. GREENAWAY: He could acknowledge the
13 rights of the people who do the borrowing.

14 Yes, but I mean this is

15
16 even a borrower is interested
17 in

18 MR. GREENAWAY: Yes.

19
20
21 who is stupid enough to sign --- get into a deal involving
22 a bonus of 15%. If we are dealing with an unscrupulous
23 broker who is going to pocket that bonus or
24
25 what you have indicated

26 How would the mortgagor

27
28
29 MR. GREENAWAY: I think probably if they
30 issued a bonus charge, then I would say then under those



mortgage for a copy of the statement?

MR. GREENAWAY: No. I would rather see --- I

see what you mean and in order to see that it would be

I would say that in a bonus

charged to the mortgage for obtaining a bonus. It

would be in order to --- it would be in order to notify

and have some regulation where the mortgage

his bonus, he can hardly risk getting it, but --

as long as you get a bonus

You said that society under

MR. GREENAWAY: He could acknowledge the

rights of the people who do the borrowing.

Yes, but I mean this is

even a borrower is interested

MR. GREENAWAY: Yes.

a bonus of 12%. If we are dealing with an unscrupulous

broker who is going to pocket that bonus on

what you have indicated

How would the mortgage

MR. GREENAWAY: I think probably it is

I would say that the bonus is



1 conditions. Look at the price where there is a bonus.

2 Let us be specific ---

3 bonus out in the open where there is not

4
5 Make it specific whereby
6 this is the bonus standard

7
8
9
10
11 He is personally responsible,
12 and then I would the lender and
13 the borrower both agree on the

14
15 One suggestion --- am I
16 interrupting here?

17 No, no.

18 I am not satisfied yet.

19
20
21 The point has been made that
22 that there be ---

23 legislation, which system of checking and counterchecking
24 should be expanded so that perhaps the system could
25 be set up here to

26 Now, if there is a bonus involved, or whether or not
27 there is a bonus involved, why shouldn't

28 and it is nothing worth knowing ---

29

30



conditional. Look at the price where there is a bonus

Let us assume --

bonus out in the open where there is not

Makes it special, is it?

This is the bonus standard

He is personally responsible,

the ledger and

and then I would

the bonus was both agree on the

One suggestion -- at I

interesting, honey?

No, no.

I am not satisfied yet.

The point has been made that

that there be --

legislation, which system of checking and counterchecking

should be expanded so that perhaps the system could

be set up here to

Now, if there is a bonus involved, or whether or not

there is a bonus involved, why shouldn't

and it is nothing worth knowing --



1 I guess the legislation has changed so radically

2 I don't have a copy of it
3 here.

4 In view of this situation
5 we are talking about, there is the unscrupulous broker
6 and the bonus.

7
8 there were many copies sent down to the mortgagee in all
9 cases, but if there is a bonus, who knows? Who is
10 responsible? Who is paying those notes?

11 MR. GREENAWAY: I think in the case of
12 if there is a bonus that the mortgagee, I would say that
13 the mortgagee should get these things. Let the owner
14 send the broker and the solicitor. But if there
15 is a bonus, and it is intolerable
16 then I think debt should be obviated. The mortgagee
17 must get notification ---- he received the bonus, he
18 bought --

19
20 easiest way for all concerned would be to

21 Well now, I think

22
23
24 with this bonus racket entirely. They would invest
25 in another ---

26 Well, actually the point I
27 am making

28 Why don't you pin this down.
29 If now the lender has no knowledge that there has been
30 a bonus paid, if the unscrupulous broker goes to this



I guess the legislation has changed so radically
I don't have a copy of it

here,

In view of this situation
we are talking about, there is one unambiguous position
and the bonus.

There were many copies sent down to the mortgage in all
cases, but if there is a bonus, who knows who is
responsible? Who is paying those notes?

MR. GREENAWAY: I think in the case of
if there is a bonus that the mortgagee I would say that
the mortgagee should get these things. Let the owner
send the broker and the solicitor. But if there
is a bonus, and it is irretrievable
then I think that should be obvious. The mortgagee
must get notification --- he received the bonus, he
ought --

at least way for all concerned would be to
Well now, I think

with this bonus asked entirely. They would invest
in securities --
Well, usually the point I

am making
Why don't you pin this down.
If now the lender has no knowledge that there has been
a bonus paid, if the unscrupulous broker goes to this



1 poor unwitting man or woman and says, "Now I need
2 \$1,000.00 for a bonus", and the man hands over the
3 thousand, he just jams it down in his pocket along
4 with his other fees. Now, the lender probably won't
5 know anything about it.

6 That is quite true.

7 MR. GREENAWAY: Now, I think perhaps what
8 you are trying to get at now, and I think it is right ---
9 that there should be on that document some spelled-
10 out ---

11 MR.

12 MR. GREENAWAY: ---- wording which indicates
13 that a bonus has been accepted and who got it. I think
14 there should be a copy of those. Now, you tell us
15 that the poor borrower doesn't get that at all,
16 does he? He can and away he
17 goes.

18 I think the case Mr. Simone
19 was telling us about yesterday didn't even involve a
20 bonus. It involved a case of a commission to the
21 broker of \$1,800.00.

22 MR. GREENAWAY: He probably had it
23 represented as a part of that as bonus to the borrower.

24 But if we get into the
25 tariff situation where you, along with the legal
26 profession run into real estate

27 tariff or

28 he couldn't tell there is a bonus --- he
29 has to call it a bonus, rather he would
30 to detect the official rate, I mean, he shouldn't call

poor handwriting man or woman and says, "Now I need
\$1,000.00 for a house", and the man hands over the
thousand, he just jams it down in his pocket along
with his other cash. Now, the lender probably would

That is quite true.

MR. CHAMBERLAIN: Now, I think mortgage what

you are trying to get at now, and I think it is right -
that there should be on that document some statement

MR.

MR. CHAMBERLAIN: --- something which indicates

that a house has been accepted and who got it. I think
there should be a copy of those. Now, you tell me

that the poor borrower doesn't get that at all
does he? He can

yes.

I think the case Mr. Simpson

was talking us about yesterday didn't even involve a
house. It involved a case of a commission for the
broker of \$1,000.00.

MR. CHAMBERLAIN: He probably had it

represented as a part of that as forms to the borrower.
That is we get into the

small situation where you, along with the loan
proposition put into real estate

really is

he wouldn't tell there is a house --- in

has to call it a house, either he would

to detect the official case, I mean, he shouldn't call



1 it anything else but a bonus, but ---
2 Mr. Chairman, could I
3 comment along the lines of ---- surely this can be
4 cleared up. The revised form of statement of mortgage
5 in Clause 8 requires that each of things we have been
6 talking about should be found out, the bonus on the
7 mortgage, the brokerage fees or commission, inspection
8 appraisal fees, legal fees and disbursements, and so
9 on. Now, if a copy of that form were directed to
10 the lender, then he is apprised of all the transaction
11 in toto and if the broker is engaged in some
12 manipulation, presumably he has to put this extra
13 payment he is getting neither under the heading of
14 brokerage fees or bonus, and if the lender could ---
15 supposing he puts it under brokerage fees to avoid
16 the suggestion that there is a bonus, then surely the
17 lender when he first came to the broker would have
18 already agreed on what the level of brokerage fee
19 was going to be, I would think.

20 Yes.

21 Would he not?

22 No.

23 Well, when you are ---

24 I would say that generally
25 that --- when there is a bonus if the mortgagee
26 bonus ---- in some manner or other the mortgagee did
27 know that there was a bonus, and it should be on record,
28 and he also is taking the bonus, but probably they
29 will this bonus, and get my money
30 into business places, because he is liable to get



is anything else but a bonus. But ---

Mr. Gentry, could I

comment along the lines of --- surely this can be cleared up. The revised form of statement of mortgage in Article 8 requires that each of things we have been talking about should be found out, the bonus on the mortgage, the brokerage fees or commission, inspection appraisal fees, legal fees and disbursements, and so on. Now, if a copy of that form were directed to the lender, then he is apprised of all the transactions in toto and if the broker is engaged in some manipulation, presumably he has to put this entire payment he is getting whether under the heading of brokerage fees or bonus, and if the lender could ---

suggesting he puts it under brokerage fees to avoid the suggestion that there is a bonus, then surely the lender when he takes care to the broker would have already agreed on what the level of brokerage fees was going to be. I would think.

Would he not?

Well, when you are ---
I would say that generally

that --- when there is a bonus if the mortgagee did bonus --- in some manner or other the mortgagee did know that there was a bonus, and it should be on record, and he also is taking the bonus, but probably they will this bonus, and get my money into business places, because he is liable to get



1 caught and he is not reporting the bonuses in his
2 income tax, he is in for some problems.

3 Now, now, my point is,
4 Mr. Chairman;---

5
6 stop-gap measures, and I wish this would appear
7 to me as ---

8 Well, I would say you are
9 just in the --

10 MR. GREENAWAY: I would say this must be
11 with the brokers involved. Then it would
12 be very simple. The broker considers it
13 is not necessary to list it as a bonus, yet
14 the bonus and the mortgagee should have the

15
16 should be most interested in
17 what value he has got.

18 They have this

19
20 Yes. I ---

21
22 I didn't my point,
23 but here is a form that requires full disclosure of
24 all of the details of the transaction and if you don't

25
26 -----

27
28
29
30



caught and he is not reporting the bonuses in his
income tax, he is in for some problems.

stop-gap measures, and I wish this
to me as ---

Well, I would say you are

just in the --

MR. GREENWAY: I would say this must be

with the brokers involved. Then it would

be very simple. The broker considers it

is not necessary to list it as a bonus, yet

the bonus and the mortgage should have the

should be not interested in

what value he has got.

They have this

Yes, I ---

I didn't
my point

but here is a form that requires full disclosure of

all of the details of the transaction and if you don't



34/26/RPS 1 all of the details of the transaction, and if you don't
2 say that this form should go a hundred per cent to the
3 lender in all cases, then you allow somebody to make an
4 interpretation of the term "if there is a bonus". So, if
5 this calls for full disclosure, then why should it not
6 be disclosed to the lender in full? Let him decide
7 if there is a bonus involved.

8 MR. LETHERBY: What, Mr. Greenaway would be
9 wrong with wiping out the bonus element altogether?
10 Why is that so necessary

11 MR. GREENAWAY: I would like to see that, but I
12 don't think you could ever do it.

13 MR. LAWRENCE: Only for instance, in certain
14 cases where

15 MR. GREENAWAY: In certain cases ---

16 MR. LAWRENCE: I mean where a person, for
17 instance who presently holds a property on which there
18 is a first mortgage. He wants a second mortgage on the
19 thing so that he can then turn around and sell that
20 property. He may be in a position to meet investors who
21 will only soak him for a good high interest rate on that
22 second mortgage. Due to quite legitimate reasons
23 12 per cent, and yet he knows darn well if he goes into
24 the real estate market with a second mortgage on there
25 at 12 per cent, he may have a hard time selling them
26 that house. On the other hand, if he can reduce this
27 to seven per cent and yet have the -- still satisfy the
28 investor, then this is where the bonus comes into play
29 and is a very legitimate thing. He is the one that is
30 losing on it, not the purchaser then.



1 all of the details of the transaction, and if you don't
2 say that this form should go a hundred per cent to the
3 lender in all cases, then you allow somebody to make an
4 interpretation of the term "if there is a bonus". So, if
5 this calls for full disclosure, then why should it not
6 be disclosed to the lender in full? Let him decide
7 if there is a bonus involved.
8
9 MR. LAMBERT: What, Mr. Greenaway, could be
10 wrong with wiping out the bonus element altogether?
11
12 Why is that so necessary . . .
13
14 MR. GREENAWAY: I would like to see that, but I
15 don't think you could ever do it.
16
17 MR. LAMBERT: Only for instance, in certain
18 cases where . . .
19
20 MR. GREENAWAY: In certain cases --
21
22 MR. LAMBERT: I mean where a person, for
23 instance who presently holds a property on which there
24 is a first mortgage, he wants a second mortgage on the
25 thing so that he can then turn around and sell that
26 property. He may be in a position to meet investors who
27 will only cash him for a good high interest rate on that
28 second mortgage. Due to quite legitimate reasons
29 12 per cent, and yet he knows damn well if he goes into
30 at 12 per cent, he may have a hard time selling them
31 that house. On the other hand, if he can reduce this
32 to seven per cent and yet have the -- still satisfy the
33
34
35



1 MR. GREENAWAY: If I remember correctly, I
2 explained this point before Mr. Lawrence came in.

3 MR. IRWIN: Well, the reason I thought about
4 that -- the only experience I have had about bonuses is the
5 stories which have been told to me about these shysters,
6 Mr. Greenaway, who have really taken the boys over the
7 barrel.

8 MR. IRWIN: Now, is there any essential difference
9 between a bonus and discounts? Where a mortgage is being
10 placed for the first time -- that is, I come into you,
11 and I want to place a second mortgage on my house. Then,
12 I may have to pay a bonus in order to get your 12 per cent.
13 Then, on the other hand, I may already have placed the
14 second mortgage on my house in the process of selling it,
15 and I come into you and you discount that; which is the
16 same thing, is it not?

17 MR. GREENAWAY: A bonus and a discount are
18 different. I mean, a bonus is something you are paying
19 to get something.

20 MR. IRWIN: I realize that. But, the
21 effect on the ultimate interest rate . . .

22 MR. GREENAWAY: The discount is something that
23 you are buying at a reduced price for certain reasons.
24 I mean, there is a difference between a bonus and a
25 discount. But, they both amount to the same thing.
26 Relatively, they both cost the same number of dollars.

27 MR. IRWIN: Yes. In the accounting of this
28 12 per cent, it doesn't matter whether I am paying a
29 bonus for this mortgage, or whether I am paying . . .

30 MR. GREENAWAY: That is right.

MR. GUTHRIE: If I remember correctly, I

explained this point before the Finance Committee.

MR. IRWIN: Well, the reason I thought about

that -- the only experience I have had about bonds is in

experience which have been held to me about bonds a year.

Mr. Guthrie, who have really taken the boys over the

MR. IRWIN: In these very essential differences

between a house and discount? Where a mortgage is being

placed for the first time -- that is, I come into you

and I want to place a second mortgage on my house. Then,

I may have to pay a house in order to get you 12 per cent.

Then, on the other hand, I may already have placed the

second mortgage on my house in the process of selling it,

and I come into you and you discount that; which is the

same thing, is it not?

MR. GUTHRIE: A house and a discount are

different. I mean, a house is something you are paying

to get something.

effect on the ultimate interest rate.

MR. GUTHRIE: The discount is something that

you are paying as a reduced price for certain reasons.

I mean, there is a difference between a house and a

discount. But, they both amount to the same thing.

Relatively, they both cost the same amount of dollars.

MR. IRWIN: Yes. In the accounting of this

12 per cent, it doesn't matter whether I am paying a

house or this mortgage, or whether I am paying . . .

MR. GUTHRIE: That is right.



1 MR. MacDONALD: Mr. Chairman, could I clarify
2 one legal point back here that rather intrigues me?

3 You were quite dogmatic in your assertion, Mr.
4 Greenaway, that the -- I am sorry, I have lost the point
5 that I want to deal with now --

6 MR. SEDGEWICK: He was dogmatic about the figure
7 referring to the fact that I ---

8 MR. MacDONALD: Yes. This business of it
9 being illegal for the broker to pocket, that it must go
10 to the lender.

11 Now, you said that if this got into court,
12 he would be caught. Now, what I want to get clear is
13 what, specifically, is the law that catches this person.

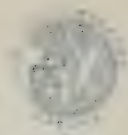
14 MR. GREENAWAY: Well . . .

15 MR. LAWRENCE: The trust fund, in effect, I
16 mean if the broker informs everybody involved that these
17 monies are going to somebody else, and he is acting merely
18 as a trustee in attempting to borrow something, but in
19 actual fact he was pocketing the money. In addition,
20 It would be pretty tricky to nail him on it, but I could
21 see that in the long run you might be able to do it
22 . . .

23 THE CHAIRMAN: Mr. MacDonald?

24 MR. MacDONALD: What I am getting at -- shouldn't
25 the law be strengthened, because my impression -- correct
26 me if I am wrong -- but my impression is that this is
27 a fairly wide-spread practice; at least among the minority
28 of brokers who are operating on the fringe. They are
29 profiting.

30 MR. GREENAWAY: If a broker gave a document to



1 Mr. McLaughlin: Now, Chairman, could I clarify

2 one legal point back here that perhaps I didn't make

3 You were quite definite in your reservation, Mr.

4 that I want to deal with now --

5 referring to the fact that I ---

6 Mr. McLaughlin: Yes. This question of it

7 being illegal for the broker to pocket, back it must go

8 to the lender.

9 Now, you said that it this got into court,

10 he would be caught. Now, what I want to get clear is

11 what, specifically, is the law that catches this person

12 Mr. McLaughlin: Well, . . .

13 Mr. McLaughlin: The trust fund, in effect, I

14 mean if the broker informs everybody involved that these

15 monies are going to somebody else, and he is acting merely

16 as a trustee in attempting to borrow something, but in

17 actual fact he was pocketing the money.

18 It would be pretty risky to nail him on it, but I could

19 see that ~~something~~ you would be sure to do it

20 THE CHAIRMAN: Mr. McLaughlin?

21 Mr. McLaughlin: What I am saying is -- another

22 the law be strengthened, because my impression -- correct

23 me is I am wrong -- but my impression is that this is

24 a fairly well-known fact that the law is not clear

25 in respect to the question of the trustee, that is

26 Mr. McLaughlin: If a broker gave a document to



1 you, as a borrower, and he were signing this document,
2 here were terms set out, the terms were that the loan
3 is \$7,000.00; seven or eight per cent -- seven and a half
4 per cent for five years, payable at so much a month
5 with blended principal. Okay. Now he goes on further --
6 the cost is so much. And then, he distinctly says
7 "bonus to the mortgagee". Now the mortgagee is the
8 man lending the money. The mortgagee is getting a bonus
9 of five hundred or a thousand dollars, twelve hundred,
10 whatever the case might be. So, he is telling you that
11 the mortgagee is getting his bonus, and he puts this
12 bonus in his pocket. Later on, you find from the mortgagee
13 that he didn't get any bonus. And yet, the broker says
14 that he was giving one. Where does the money end up?
15 In the broker's pocket -- well now, I don't think there
16 is any court in the world that Mr. Lawrence wouldn't agree
17 . . .

18 MR. LAWRENCE: Well, I don't think that is
19 feasible.

20 MR. GREENAWAY: Well, in some cases . . .

21 MR. LAWRENCE: They are merely indicated --
22 even on this form, they merely indicate a bonus.

23 MR. GREENAWAY: I have seen cases where they
24 indicate a bonus to the mortgagee.

25 THE CHAIRMAN:

26 Yes, they do.

27 MR. MacDONALD: Isn't it desirable from the
28 point of view of this Committee that the law, whatever
29 it is now, and if it is sort of vague in the handling of
30 trust funds should be so clarified that it would almost



1 here were
2 the same way, that the law
3 is the same, and the law is the same
4 with blended principle. Now the cost is as much. And then, the distinction is
5 "bonus to the mortgagee". Now the mortgagee is the
6 man lending the money. The mortgagee is getting a bonus
7 of five hundred or a thousand dollars, twelve hundred
8 whatever the case might be. So, he is telling you that
9 the mortgagee is getting his bonus, and he puts that
10 bonus in his pocket. Later on, you find from the mortgagee
11 that he didn't get any bonus. And yet, the law says
12 that he was giving one. Where does the money come from?
13 In the broker's pocket -- well, now, I don't think there
14 is any count in the words that Mr. Latham says with a bonus
15 feasible. Well, I don't think that is
16 feasible.
17
18 MR. SPENCER: Well, in some cases . . .
19 MR. LATHAM: They are merely indicated --
20 even on this form, they merely indicate a bonus.
21 MR. SPENCER: I have seen cases where they
22 indicate a bonus to the mortgagee.
23 THE COURT: Yes, they do.
24 MR. LATHAM: That is feasible from the
25 point of view of this Court, that the law, whatever
26 it is, and if it is sort of vague in wording of
27 that kind, should be so clarified that it would not



1 be to a degree, automatic. I mean now, it depends on the
2 lender discovering that he didn't get the money, that in
3 the transaction the broker has misrepresented and he had
4 pocketed it. It seems to be that if you want to clean up
5 the business -- we had one case cited to us yesterday
6 where it could quite accurately be described that this
7 man was just buying time. He said just give me another
8 18 months and I will have a million dollars and I will get
9 out of the business.

10

11 MR. LETHERBY: Yesterday, didn't Mr. Simone
12 make this statement? That through some other offices
13 he discovered where this shyster broker had fleeced this
14 woman out of \$1,800.00 and he went back and he said that
15 all he could do was to threaten you see, and he salvaged
16 a thousand dollars out of the eighteen, didn't he? But,
17 he made a statement I think, to the effect that there
18 was no legal authority in his department that would
19 empower him to take action against that. Didn't he?

20 So, I mean there is a terrible loophole there
21 sir, if we have no legislation to protect a situation
22 like that.

23 MR. GREENAWAY: That is where your Unconscionable
24 Transactions Act falls down.

25 MR. MacDONALD: But surely you can avoid all of
26 the complexities involved in the Unconscionable Transactions
27 Relief Act because of its constitutionality and everything
28 else, if it is laid down that if there is a bonus, A it
29 must be disclosed, and B it must go to the lender.

30



1 be to a degree, automatic. I mean now, in regard to the
2 longer discovering that he didn't get the money, that is
3 the transaction the broker has misappropriated and he had
4 collected it. It seems to be that if you want to clean up
5 the business -- we had one case cited to us yesterday
6 where it could quite accurately be described that this
7 man was just buying time. He said just give me another
8 18 months and I will have a million dollars and I will get
9 out of the business.

10 make this statement? That through some other officials
11 he discovered where this money broker had financed him
12 woman out of \$1,500.00 and he went back and he said that
13 all he could do was to threaten you see, and he said
14 a thousand dollars out of the eighteen, didn't he? But
15 he made a statement I think, to the effect that there
16 was no legal authority in his department that would
17 empower him to take action against that. That's not
18 so, I mean there is a terrible loophole there
19 sir, if we have no legislation to prevent a situation
20 like that.

21 MR. TOWNSEND: That is where your jurisdiction of
22 Transactions Act falls down.
23 MR. TOWNSEND: But surely you can send all of
24 the regulations involved in the Securities Exchange
25 Relief Act because of the constitutionality and everything
26 else, is it laid down that if there is a bonus, A is
27 not an official and if he is not an official



1 MR. LAWRENCE: In this case yesterday it was
2 not called a bonus. That is the point. This fellow was claiming
3 it as a commission.
4 And that is why I say if you are going to get into this
5 field at all, you have got to set a tariff or a schedule
6 for mortgage brokers' commission.

7 And, with all due respect Bert, what you lose on
8 the swings, you gain on the round-about.

9 MR. GREENAWAY: Oh, yes. The only thing is
10 it is different.

11 It is exactly the same as a real estate tariff
12 for lawyers or real estate agents or anything else.

13 MR. GREENAWAY: Well, you will find a lot of
14 argument -- discussion about it, for the simple reason
15 that with a lawyer, you have a specific certain area which
16 is searching the title, preparation of documents.

17 MR. LAWRENCE: Well, the lawyer sells his time --

18 MR. GREENAWAY: He sells his time . . .

19 MR. LAWRENCE: And on these small deals --

20
21 MR. GREENAWAY: Time is all we have to sell.
22 Time and knowledge

23 MR. LAWRENCE: What about the real estate
24 agent? He is bound by a tariff.

25
26
27 MR. GREENAWAY: I don't think you would have
28 any objection from the bulk of the people to a tariff,
29 and certainly I go along with it myself. I would be
30 happy to see a tariff. We have taken it up in our assoc-



MR. LAWRENCE: In this case yesterday it was

not called a house. That is the point. This fellow was claiming it as a companion.

And that is why I am in your case today to get into this

MR. GREENWAY: Oh, yes. The only thing is

It is exactly the same as a man's name being

MR. GREENWAY: Well, you will find this on

that with a lawyer, you will find a number of names that

is regarding the title, preparation of documents,

MR. LAWRENCE: Well, the lawyer will find this

MR. GREENWAY: He will find this

MR. LAWRENCE: And on those are the names -

MR. GREENWAY: Now is all we are to do

Some of the names are

MR. LAWRENCE: While you are not going to

ever. He is found by a lawyer

MR. GREENWAY: I don't know what we would have

any objection when the bulk of the people to a family

and certainly I do agree with it. I would be

happy to see a family. We have taken it up in the past



1 lation on numerous occasions, and we hope to worked out --
2 so far we have had so many things to preoccupy us, and
3 we have to crawl before you can run and run before you can
4 leap. Now, we are getting to the stage where we can start
5 leaping pretty soon.

6 THE CHAIRMAN: You think it would be a step
7 in the right direction?

8 MR. GREENAWAY: It would be a step in the right
9 direction.

10 MR. LAWRENCE: If you had this tariff, amended
11 and attached to the document.

12 It would also indicate
13 to a borrower that in some cases the mortgage broker is
14 being paid a finder's fee by an institution as well?

15 MR. GREENAWAY: Occasionally, occasionally.

16 MR. MacDONALD: Well, this would be imperative
17 if you were going to get a program.

18 MR. GREENAWAY: Of course, we are hoping that . . .

19 MR. LAWRENCE: Sometimes this doesn't enter
20 into the loan at all, so really, this isn't disclosure in
21 the terms of the loan.

22 MR. GREENAWAY: No.

23 MR. MacDONALD: Therefore, if we are going to do
24 anything in this field, we have to widen it so that it
is.

25 THE CHAIRMAN: It is almost a commission, I
26 think.

27 MR. GREENAWAY: You see, if a broker didn't get
28 -- depending on the type of loan and the circumstances,
29 if he didn't get some money from some of the lenders, he
30 would have to charge the borrower more money, because you



1 tion of business occasions, and we look forward to --
2 we have to turn before you can run and run before you can
3 lead. Now, we are getting to the state where we can't
4

5 THE CHAIRMAN: You think it would be a good

6 MR. GREENAWAY: It would be a plan in the right

7 MR. LAWRENCE: If you had this facility, amended

8 and attached to the document.

9 It would also indicate

10 to a borrower that in some cases the mortgage broker is

11 being paid a fee by an institution as well.

12 MR. GREENAWAY: Occasionally, occasionally.

13 MR. MACDONALD: Well, this would be imperative.

14 If you were going to get a program.

15 MR. GREENAWAY: Of course, we are hoping that

16 MR. LAWRENCE: Sometimes this doesn't work.

17 MR. MACDONALD: Therefore, if we are going to do
18 anything in this field, we have to make it so that it

19 THE CHAIRMAN: It is almost a consensus, I

20 think.

21 MR. GREENAWAY: You see, if a broker didn't get

22 -- depending on the type of loan and the circumstances,



1 cannot operate any longer on a one per cent basis. That
2 is out of date with the horse-drawn buggy. Everything
3 else goes up, and the people expect that the broker or
4 lawyer could operate on the fees that used to prevail
5 50 years ago. It is unheard of.

6 MR. MacDONALD: Mr. Greenaway, may I explore
7 another angle which I think ultimately is going to be our
8 real problem on this Committee. I take it that you --
9 in fact you have been very assertive that you have no
10 objection to full disclosure. Now, at what point would
11 you be willing to entertain and accept the proposition of
12 regulations beyond full disclosure, to cope with the
13 excesses that creep in. For example, now early you cited
14 the case of a man who wants 12 per cent, and he gets this
15 on one second mortgages, and his appetite gets fed to the
16 point -- Well, why not 15 per cent. And, when you won't
17 deal with him, he goes to somebody else. Now, has this
18 not raised the problem where, for the benefit of the
19 profession or the trade as a whole, it would be better to
20 have a limit laid down so that you, in effect are protected
21 as the legitimate operator. When the fellow gets so
22 avaricious that he wants to move on, and he goes to the
23 fringe operator, if the law, in effect says you cannot
24 go beyond a certain limit, then you are protected, his
25 avaration is curbed -- the fringe operator doesn't get
26 more and more clients that feed his kind of operation.

27 MR. GREENAWAY: Well, Mr. MacDonald, in principle
28 I agree with you but then you are restricting the borrower
29 from being able to pay more to get money somewhere. Many
30 a borrower would be bankrupt if he hadn't been able to



cannot operate any longer on a one per cent basis. That
is out of date with the horse-drawn buggy. Everything
else goes up, and the people expect that the broker or
lawyer could operate on the fees that used to prevail
10 years ago. It is unheard of.
MR. MACDONALD: Mr. Greenway, may I explore
another angle which I think ultimately is going to be our
real problem on this Committee. I take it that you --
in fact you have been very assertive that you have no
objection to full disclosure. Now, at what point would
you be willing to entertain and accept the proposition of
regulations beyond full disclosure, to cope with the
excesses that creep in. For example, how early you cited
the case of a man who wants 12 per cent, and he gets that
on one second mortgages, and his appetite gets fed to the
point -- Well, why not 12 per cent. And, when you would
deal with him, he goes to somebody else. Now, has this
not raised the problem where, for the benefit of the
protection on the trade as a whole, it would be better to
have a limit laid down so that you, in effect are protected
as the legitimate operator. When the fellow gets as
excesses that he wants to move on, and he goes to the
large operator, in the law, in effect says you cannot
go beyond a certain limit, then you are protected, his
operation is sound -- the fringe operator doesn't get
more and more clients that feed him kind of operation.
MR. GREENWAY: Well, Mr. MacDonald, in principle
I agree with you but then you are restricting the borrower
from being able to pay more for money somewhere. Many
it would be bankrupt if he hadn't been able to



1 borrow money at a higher rate of interest which you and I
2 might think is justified.

3 MR. MacDONALD: Well, I concede the validity
4 of this argument that is put forward. Some people might
5 have the means that they can cope with an accepted charge.
6 Other people get sucked in on it to put it bluntly, and
7 then he is not able to cope with it.

8 How can you sort it out, or is it possible to
9 sort it out so that you have a protection in the regulation?

10 MR. GREENAWAY: I don't think so. I haven't
11 got the solution, Mr. MacDonald. I only know that you
12 have two distinct fields. There is the homeowner as
13 related to the commercial man. Now the distincts -- the
14 smart operator who is running a business, and he needs
15 money, well he is used to juggling everything and let them
16 beware. I mean, he can go and paddle his own canoe, and
17 I have seen cases where, as I have said before, people
18 have paid as high as 30, 35 -- I have seen cases of people
19 you all know here have paid 36 per cent for money -- as
20 high as 36 per cent for money -- on big projects.

21 MR. MacDONALD: On a commercial . . .

22 MR. GREENAWAY: On commercial projects.

23 MR. MacDONALD: Isn't it feasible to entertain
24 the proposition that you separate the two kinds then. Your
25 residential from your commercial. Then, you have perhaps . . .

26 MR. GREENAWAY: Definitely, definitely. I would
27 say by all means if you separate them, let it be under-
28 stood that when it comes to residential properties,
29 you are in an entirely different field of borrowing than
30 you are. You are dealing with the individual that owns



1 borrow money at a higher rate of interest which you and I
2 might think is justified.

3 MR. McDONALD: Well, I concede the validity
4 of this argument that is put forward. Some people might
5 have the means that they can cope with an accepted charge.
6 Other people get asked in or it to put it bluntly, and
7 then he is not able to cope with it.
8 How can you sort it out, or is it possible to

9 sort it out so that you have a protection in the regulation
10 of the money market?

11 have two distinct fields. There is the homeowner as
12 a borrower, and there is the commercial borrower.
13 money, well he is used to juggling everything and let them
14 juggle it.

15 I have seen cases where, as I have said before, people
16 have paid as high as 30, 35 -- I have seen cases of people
17 you all know have paid 36 per cent for money -- as
18 high as 36 per cent for money -- on old mortgages.

19 MR. McDONALD: On a commercial
20 MR. GREENAWAY: On commercial and other.

21 MR. McDONALD: Isn't it possible to differentiate
22 the protection that you accrete and the kind of loan. Your
23 residential from your commercial. Then, you have mortgage.

24 MR. GREENAWAY: Definitely, definitely. I would
25 say by all means if you separate them, let it be under-
26 stood that when it comes to residential properties,
27 you are in an entirely different field of borrowing than
28 you are. You are dealing with the individual, and once



1 a home, and I think that he should have all the protection
2 that the law can provide for against usurious types of
3 lending, and I would certainly think that one of the things
4 that we would love to see corrected is bonuses or discounts
5 as such should go to the man who is putting up the money.
6 But, if the broker wants to go into business, let him have
7 enough money -- he could go in and be a banker -- buy and
8 sell himself. But, as long as it is disclosed -- this
9 non-disclosure business is the worst of the whole thing.

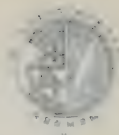
10 MR. MacDONALD: Mr. Chairman, for the purposes
11 of our Committee, this is a pretty useful point or distinction
12 to make when we come to discuss or to consider what
13 regulations should be put in addition, if any, in addition
14 to full disclosure.

15 MR. LAWRENCE: I would think too, Mr. Chairman,
16 that as you say, Mr. Greenaway, your organization is going
17 to submit a brief at a later date . . .

18 MR. GREENAWAY: We would like to.

19 MR. LAWRENCE: Now, we have got a great fund
20 of knowledge from being here this morning. It is the
21 background of the business. I think it would be grand
22 if they would consider summarizing your own opinions as
23 to what legislation, you know is needed. That would
24 pretty well spell it out, you know, so that we would have
25 some guidance as to what necessary legislation would be
26 required to correct this situation.

27 MR. MacDONALD: For example by way of
28 regulations now, there is a significant proportion
29 of people in this field who are not in our register.
30 Lawyers, for example.



1 a home, and I think that he should have all the protection
2 of the law and the courts for his protection. Types of
3 dealing and I would certainly like to see the law
4 that would protect him in the same way as the
5 as such should go to the man who is putting up the money.
6 But, if the broker wants to go into business, let him have
7 enough money -- he could go in and be a banker -- buy and
8 sell himself. But, as long as it is disclosed -- this
9 non-disclosure business is the worst of the whole thing.
10 MR. MACDONALD: Mr. Chairman, for the purposes
11 of this bill, this is a very important point in the
12 business of the country. I think it is a very important
13 regulations should be put in addition, if any, in addition
14 to full disclosure.
15 MR. LAWRENCE: I would think too, Mr. Chairman,
16 that as you say, Mr. Greenaway, your organization is going
17 to submit a brief at a later date . . .
18 MR. GREENAWAY: We would like to.
19 MR. LAWRENCE: Now, we have got a great fund
20 of knowledge from being here this morning. It is the
21 background of the business. I think it would be good
22 if they would consider summarizing your own opinions as
23 to what is going on in the country. I think it would be
24 very well to have a summary of the situation, so that we could have
25 some basis for our own summary. I think it would be
26 required to correct this situation.
27 MR. MACDONALD: For example by way of
28 regulations now, there is a significant proportion
29 of people in this field who are not in our register.
30



1 MR. GREENAWAY: That is what worries us. As
2 long as that situation exists, we will never be able to
3 correct a lot of these things.

4 MR. MacDONALD: As a matter of fact, maybe I
5 was just asleep or having a snooze, but I had
6 assumed that everyone who was dealing in this business
7 had to register.

8 MR. GREENAWAY: I regretted seeing the change made
9 in the regulations that real estate people didn't have to
10 have the licence. We had everybody licensed at the start,
11 and it was a wonderful idea. Now, we have got about one-
12 third of the people that we wanted licensed. The others
13 are . . .

14 MR. MacDONALD: There was a change
15 in the Act.

16 MR. GREENAWAY: There was a change in the Act
17 and I wish that it hadn't taken place, because a lot
18 of people have slipped out of the control that needed it
19 very badly.

20 THE CHAIRMAN: You might refer to that again
21 in your brief when you are going to present it.

22 MR. GREENAWAY: I would be very happy to do that.

23 THE CHAIRMAN: Could you tell us what percentage
24 of mortgages involve bonus provisions, roughly?

25 MR. GREENAWAY: I would have to guess, Mr.
26 Chairman, but I would just -- I don't think 10 per cent
27 would involve bonuses, not any more.

28

29 ---TAPE NO. 35: RECORDING LEVEL IS TOO LOW FOR ANY TYPE
30 OF TRANSCRIPTION WHATSOEVER THROUGH THE
FIRST 4 MINUTES (APPROXIMATELY) OF THE
TAPE.



1 MR. GREENAWAY: That is what worries us. As
2 long as that situation exists, we will never be able to
3 correct a lot of these things.

4 MR. McDONALD: As a matter of fact, maybe I
5 was just asleep or having a snooze, but I had
6 assumed that everyone who was dealing in this business
7 had to register.

8 MR. GREENAWAY: I regretted seeing the change made
9 in the regulations that real estate people didn't have to
10 have the license. We had everybody licensed at the start,
11 and it was a wonderful idea. Now, we have got about one-
12 thirds of the people that we wanted licensed. The others

13 MR. McDONALD: There was a change
14 in the Act.

15 MR. GREENAWAY: There was a change in the Act
16 and I wish that it hadn't taken place, because a lot
17 of people have slipped out of the control that needed it
18 very badly.

19 THE CHAIRMAN: You might refer to that again
20 in your brief when you are going to present it.

21 MR. GREENAWAY: I would be very happy to do that.
22 THE CHAIRMAN: Could you tell us what percentage
23 of mortgages involve bonus provisions, roughly?

24 MR. GREENAWAY: I would have to guess, Mr.
25 Chairman, but I would just -- I don't think 10 per cent
26 would involve bonuses, not any more.



1 MR. GREENAWAY: (Continuing) then it would
2 put them out of business. It would give that much addition-
3 al protection. You see, the public (inaudible)
4
5
6
7 they are promising the public something they can't get.
8 But, the public are fools enough to be drawn in as flies
9 go where the sugar looks sweetest. So, they see a big
10 blatant advertisement in the paper -- money at 9 per
11 cent -- second mortgage money -- or lowest rates, or
12 no fees.

13 Now, they don't stop to think that Santa Claus
14 time isn't here, they take it for granted that the person
15 advertising is legitimate, if they are allowed to
16 advertise. Why would they spend money on false advertising?
17 The answer is that false advertising brings in the suckers
18 and then, of course, the high per cent money or the --
19 is all gone. You have got something which is just
20 Then another one of the very bad situations is this
21 "switch deal", where a broker will, or a lender will
22 promise a man a certain amount of money and on certain
23 terms and conditions. If you are the borrower, you may
24 have a deadline to meet -- say the 24th of August or
25 July. You have got a deal -- you have got to close a
26 deal, so you come to a broker or a lender, and he keeps --
27 Oh yes, he dilly-dallies around and he tells you you
28 are going to get the money and so on, and you arrange
29 this and that, and you are in the stages of negotiation.
30 But, your time is running out like the sands of the --



MR. GREENWAX: (Continuing) then it would

put them out of business. It would give that much addition
al protection. You see, the public (inadmissible)

they are promising the public something they can't get.
But, the public are fools enough to be drawn in as flies
to where the sugar looks sweetest. So, they see a big
blatant advertisement in the paper -- money at 9 per
cent -- second mortgage money -- or lowest rates, or
no fees.

Now, they don't stop to think that Santa Claus
time isn't here, they take it for granted that the person
advertising is legitimate. If they are allowed to
advertise, why would they spend money on false advertising?
The answer is that false advertising brings in the suckers
and then, of course, the high per cent money or the --
is all gone. You have got something which is just
Then another one of the very bad situations is this
"switch deal", where a broker will, or a lender will
promise a man a certain amount of money and on certain
terms and conditions. If you are the borrower, you may
have a deadline to meet -- say the 24th of August or
July. You have got a deal -- you have got to close a
deal, so you come to a broker or a lender, and he keeps --
Oh yes, he dilly-dallies around and he tells you you
are going to get the money and so on, and you arrange
the deal, and you are in the stages of negotiation.
But, you are running out like the sands of the --



1 time clock is running out on you, and you are getting
2 a little desperate. But you are assured everything is
3 fine. Everything is fine -- don't worry. Even sometimes
4 to the point where documents are prepared, and you are
5 getting along fine. Then, you are suddenly told,
6 unfortunately, that either the client has died or he
7 has changed his mind which is something that a man is
8 entitled to do. The law doesn't compel the mortgagee
9 to advance the money. He can change his mind after
10 he advances the first dollar and says he is not going
11 to give you any more, which I think is not right.

12 However, then the lender comes along or
13 the broker, the agent and the lawyer and says:
14 Now look, we still will give you the money in time
15 to close your deal, but the rate has gone up -- the
16 costs have gone up. Well, what can you do? You have
17 the poor fellow in a position where he has no choice.

18 MR. LAWRENCE: That could be very easily
19 rectified by your Association by making up an application
20
21
22 form, by which once the lender signs on the dotted line,
23 he is committed, of course. But, as well, the mortgage
24 broker has to sign on the dotted line, and he is
25 committed as well.

26 MR. GREENAWAY: But the lender being committed
27 doesn't mean anything on it, because the Mortgage Act
28 strictly states he can turn around and
29 after he starts to invest money, he can change his mind
30 and stop.



time clock is running out on you, and you are getting a little desperate. But you are assured everything is fine. Everything is fine -- don't worry. Even sometimes to the point where documents are prepared, and you are getting along fine. Then, you are suddenly told, unfortunately, that either the client has died or he has changed his mind which is something that a man is entitled to do. The law doesn't compel the mortgagee to advance the money. He can change his mind after he advances the first dollar and says he is not going to give you any more, which I think is not right.

However, then the lender comes along, or the broker, the agent and the lawyer and says: Now look, we still will give you the money in time to close your deal, but the rate has gone up -- the costs have gone up. Well, what can you do? You have the poor fellow in a position where he has no choice.

MR. LAWRENCE: That could be very easily rectified by your Association by making up an application

form, by which once the lender signs on the dotted line, he is committed, of course. But, as well, the mortgage broker has to sign on the dotted line, and he is committed as well.

MR. GREENAWAY: But the lender being committed doesn't mean anything on it, because the Mortgage Act strictly states he can turn around and after he starts to invest money, he can change his mind



1 MR. LAWRENCE: No. We heard some discussion
2 yesterday. I think it was Mr. Simone

3
4 MR. GREENAWAY: I have never
5 in my life.

6
7 MR. LAWRENCE: No, no. The mortgage broker --
8 if the deal goes sour then the mortgage broker

9
10
11 MR. GREENAWAY: Oh yes. That in some cases
12 is justified. In majority of cases, you yourself as far as
13 that goes or members of your Association know very well

14
15 MR. LAWRENCE: But, I mean the bona fide broker
16 You yourself and your Association know you have committed
17 yourself to find the money for that.
18 Once you accept one of these applications from a borrower-
19 to-be.

20
21 Now, the switchers, of course don't operate this way.
22 They will come along and change at the last minute.

23 Now, my point is
24 shouldn't your form be changed like in a real estate
25 form, where one party to an agreement is committed,
26 namely the borrower -- the mortgage broker can also be
27 committed

28 MR. GREENAWAY: Yes.

29 MR. LAWRENCE: To find that money at
30 that interest rate at that rate of repayment.



MR. LAWRENCE: We heard some discussion

Yesterday. I think it was Mr. Stinson

MR. GREENAWAY: I have never

in my life.

MR. LAWRENCE: No, no. The mortgage broker --

at the deal goes down then the mortgage broker

MR. GREENAWAY: Oh yes. That in some cases

is justified. In majority of cases, you yourself as far as

that goes or members of your Association know very well

MR. LAWRENCE: But, I mean the bona fide broker

You yourself and your Association know you have committed

yourself to find the money for that.

Once you accept one of these applications from a borrower-

to be

Now, the switchers, of course don't operate this way.

They will come along and change at the last minute.

Now, my point is

shouldn't your form be changed like in a real estate

form, where one party to an agreement is committed,

namely the borrower -- the mortgage broker can also be

MR. GREENAWAY: Yes.

MR. LAWRENCE: To find that money at

at that rate of repayment.



1 MR. GREENAWAY: Going one step further, I
2 am on the verge of doing such a thing, and as soon as
3 a man signs up a loan confirming or backing it up with
4 a cheque for so much money, evidence of good faith.

5 MR. LAWRENCE: And reading your own form over,
6 it doesn't really protect you or anyone.

7 MR. GREENAWAY: No it doesn't, but
8

9 MR. LAWRENCE: It would be one thing where
10 your own association --

11 MR. GREENAWAY: If the broker is willing to back up
12 his judgment on his application that he will
13 lose \$25.00 or signing -- if
14 this loan isn't prepared three days or four days or
15 you will forfeit the \$25.00.
16 a week, / This is going to counteract a lot of these
17 fellows who . . .

18 MR. LAWRENCE: One of the suggestions which
19 I think came from Mr. Simone again, yesterday, was a
20 suggestion that applications for mortgage loans
21 to a broker executed by a borrower-to-be be null
22 and void for 24 or 48 hours, or a certain length of time
23 in order to really have time for a man to put his thinking
24 cap on and think about the whole deal. Mr. Simone's
25 point was that there have been abuses
26
27
28
29
30

MR. GREENAWAY: Going one step further, I

am on the verge of doing such a thing, and as soon as
a man signs up a loan confirming or backing it up with
a cheque for so much money, evidence of good faith.

MR. LAWRENCE: And reading your own form over,

it doesn't really protect you or anyone.

MR. GREENAWAY: No it doesn't, but

MR. LAWRENCE: It would be one thing where

your own association --

MR. GREENAWAY: If the broker is willing to back

his judgment on his application that he will

lose \$25.00 or signing -- if

this loan isn't prepared three days or four days or
you will forfeit the \$25.00.
a week, \This is going to counteract a lot of these

fellows who . . .

MR. LAWRENCE: One of the suggestions which

I think came from Mr. Simons again, yesterday, was a

suggestion that applications for mortgage loans

to a broker executed by a borrower-to-be be null

and void for 24 or 48 hours, or a certain length of time

in order to really have time for a man to put his thinking

up on and think about the whole deal. Mr. Simons's

point was that there have been abuses



1 MR. GREENAWAY: I know of cases of that nature.
2 In fact, I have had one or two occasions in my lifetime
3 to restore to that as the only means of getting a fee,
4 and reluctantly, I did it. But, I know some people who
5 make a practice of it who didn't supply the money and
6 never had any ability to supply, but they filed their
7 application -- their bona fide application thereby was
8 almost

9 MR. LAWRENCE: What do you think of this
10 suggestion that the thing be inoperative?

11

12 MR. GREENAWAY: I can't -- are you suggesting
13 that the application has no legal affect; if there is a
14 gap of 48 hours between when he executed the application
15 and when it comes into effect.

16

17

18 But, if there is not a gap
19 between 24 or 48 hours or something; between when he
20 executed the application and when it

21 MR. GREENAWAY: I don't know how it would work.

22 There are so many people who come into our office for
23 bonus about loans. One of the first things we do is
24 our inspector goes out and checks the property, because
25 anyone who starts talking interest rates in terms --
26 wants to see the security. It's awfully scary to most borrow-
ers but it is amazing how they overlook it. As soon as we
28 get our inspector's report, we immediately determine
29 whether we are going to make the loan or not. A lot
30 of these people are in such a great hurry that after we



MR. GREENAWAY: I know of cases of that nature.

In fact, I have had one or two occasions in my lifetime to restore to that as the only means of getting a fee, and reluctantly, I did it. But, I know some people who make a practice of it who didn't supply the money and never had any ability to supply, but they filed their application -- their bona fide application thereby was

MR. LAWRENCE: What do you think of this

suggestion that the thing be inoperative?

MR. GREENAWAY: I can't -- are you suggesting

that the application has no legal effect; if there is a gap of 48 hours between when he executed the application and when it comes into effect.

But, if there is not a gap

between 24 or 48 hours or something; between when he executed the application and when it

MR. GREENAWAY: I don't know how it would work.

There are so many people who come into our office for loans about loans. One of the first things we do is our inspector goes out and checks the property, because anyone who starts talking interest rates in terms --

But our inspectors report, we immediately determine

whether we are going to make the loan or not. A lot

of these people are in such a great hurry that after we



1 have seen the property and checked it and everything,
2 tell them "Yes. Here it is. We send it in the mail usually,
3 the acceptance
4 and the statement of mortgage so they have that. They
5 have received that a day or two after they have made
6 the usual phone call and they get it in the mail
7 and they send it back to us with their documents or they
8 bring it in. Now, they have had ample time to
9 know what they want and we have checked what they
10 want.

11 alternative suggestion they have accepted it. If they
12 don't make an --

13 Now, the next thing is, anybody who is borrowing
14 money usually wanted it yesterday as you well know,
15 and speed -- you have to or should do your best.
16 So, we send out the forms,
17 get them the money as quickly as possible and get
18 everything finished up. I can see that this is a
19 known thing and probably still delay the matter
20 a day or two, which I don't think would be

21 MR. REILLY: Not only that, but it would
22 start three days

23 MR. GREENAWAY: Yes.

24 MR. MacDONALD: Well, the thing that intrested
25 me about that proposal was that I understood the
26 application form now states that it must be in the
27 hands of the person 24 hours before he signs it, so that
28 he has the 24 hour period to really think about it before
29 he puts his "John Henry" down.

30 MR. LAWRENCE: That is the statement under
the Act.

MR. MacDONALD: The statement under the Act. But,



have seen the property and checked it and everything.
tell them "Yes". Here it is. We send it in the mail usually
the acceptance
and the statement of mortgage so they have that. They
have received that a day or two after they have made
the initial phone call and they get it in the mail
and they send it back to us with their documents or they
bring it in. Now, they have had ample time to
know what they want and we have checked what they
alternative suggestion they have accepted it. If they
don't make an --
Now, the next thing is, anybody who is borrowing
money usually wanted it yesterday as you well know,
and speed -- you have to or should do your best.
So, we send out the forms,
get them the money as quickly as possible and get
everything finished up. I can see that this is a
known thing and probably still delay the matter
a day or two, which I don't think would be . . .
MR. KELLEY: Not only that, but it would
start three days
MR. McDONALD: Well, the thing that interested
me about that proposal was that I understood the
application form now states that it must be in the
hands of the person 24 hours before he signs it, so that
he puts his "John Henry" down.
That is the statement under



1 I would suspect, and perhaps I am wrong here, that this
2 isn't necessary -- this law isn't lived up to. That in
3 many instances, he comes to an office and . . .

4 MR. GREENAWAY: I'll tell you what it is.

5 Now, there are many cases where people come
6 into my office in the morning . . .

7 MR. MacDONALD: Right.

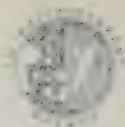
8 MR. GREENAWAY: . . . and if our evaluator
9 is available, he goes right out and he phones me that
10 everything is fine and I tell the people to come back
11 in an hour or two and I'll give them a decision. They
12 come back at noon hour. They have got their documents
13 with them. Okay. We are ready to give them the loan.
14 We make out the statement of mortgage right then and
15 there and proceed with the business. Now, certainly
16 they haven't had 24 hours to think it over. The reason
17 I say that, as far as I am concerned is . . .

18 MR. MacDONALD: Yes. Well, you are not . . .
19 The only point I would have --

20 MR. GREENAWAY: This is strictly
21 legitimate business, and we couldn't particularly care
22 less what the -- we wouldn't be adhering to the Act if
23 such were the case.

24 MR. LAWRENCE: You are not alone, I don't think,
25 in the mortgage broker business.

26
27 MR. GREENAWAY: Actually, it would be
28 hindering the normal routine of business by
29 doing it, but I don't think many people -- I haven't
30 run across any people who have signed the -- had a state-



I would have to say that I am not sure that this
isn't necessary -- this law isn't lived up to. That in

many instances, he comes to an office and . . .

MR. GREENAWAY: I'll tell you what it is.

Now, there are many cases where people come

into my office in the morning .

MR. GREENAWAY: . . .

MR. GREENAWAY: . . . and if our evaluator

is available, he goes right out and he phones me that

everything is fine and I tell the people to come back

in an hour or two and I'll give them a decision. They

come back at noon hour. They have got their documents

with them. Okay. We are ready to give them the loan.

We make out the statement of mortgage right then and

there and proceed with the business. Now, certainly

they haven't had 24 hours to think it over. The reason

I say that, as far as I am concerned is . . .

MR. MACDONALD: Yes. Well, you are not . . .

The only point I would have --

MR. GREENAWAY: Well, certainly

legitimate business, and we couldn't particularly care

less what the -- we wouldn't be adhering to the Act if

such were the case.

MR. LAWRENCE: You are not alone, I don't think

in the mortgage broker business.

MR. GREENAWAY: Actually, it would be

the normal routine of business by

doing it, but I don't think many people -- I haven't

anybody who have signed the -- had a state-



1 ment of mortgage in their possession . . .

2 THE CHAIRMAN: Mr. Reilly, I think you had
3 a question?

4 MR. REILLY: Yes, Mr. Chairman. There were
5 a number of questions that I had in mind from the standpoint
6 of background information.

7 First of all, Mr. Greenaway, would you mind
8 telling us what is the membership of the Ontario Mortgage
9 Brokers Association?

10 MR. GREENAWAY: Approximately 90 members, as
11 of today.

12 MR. REILLY: I understand about 90 members.
13 And how many mortgage brokers are there in Ontario,
14 approximtely?

15 MR. GREENAWAY: Well, prior to -- when the
16 Act first came in, I think Mr. Simone could probably
17 answer this question better than I can. I understood
18 there were 1200 or 1300; weren't there, Mr. Simone?

19 MR. SIMONE: That is right.

20 MR. GREENAWAY: And for -- that continued
21 for two years, wasn't it?

22 MR. SIMONE: The original register was 1300
23 and when the real estate brokers were exempted -- 600

24

25

26

27

28 (NOTHING FURTHER INTELLIGIBLE)

29

30



1 went of mortgage in their possession . . .

2 THE CHAIRMAN: Mr. Reilly, I think you had

3 a question?

4 MR. REILLY: Yes, Mr. Chairman. There were

5 a number of questions that I had in mind from the standpoint

6 of background information.

7 First of all, Mr. Greenaway, would you mind

8 telling us what is the membership of the Ontario Mortgage

9 MR. GREENAWAY: Approximately 90 members, as

10 of today.

11 MR. REILLY: I understand about 90 members.

12 And how many mortgage brokers are there in Ontario,

13 approximately?

14 MR. GREENAWAY: Well, prior to -- when the

15 Act first came in, I think Mr. Simone could probably

16 answer this question better than I can. I understood

17 there were 1500 or 1300; weren't there, Mr. Simone?

18 MR. SIMONE: That is right.

19 MR. GREENAWAY: And for -- that continued

20 for two years, wasn't it?

21 MR. SIMONE: The original register was 1300

22 and when the real estate brokers were exempted -- 600



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

MR. REILLY: But you have approximately 700 registered at the present time?

MR. SIMONE: Yes.

MR. REILLY: And of these, there are about 90 who belong to the Association; is this it?

MR. GREENAWAY: Throughout the Province, their membership is now -- I think it is 90 exactly or maybe 91.

MR. REILLY: There was a point that I placed to you a few minutes ago . . .

MR. :

MR. GREENAWAY: I think those 90 members probably do 50 per cent or more of the business in the Province.

MR. REILLY: When I was speaking with you a few moments ago, Mr. Greenaway, about the fee that you would charge for mortgage; first of all, you said there was a collection fee and a service fee that you would service an account for somebody?

MR. GREENAWAY: That is correct.

MR. REILLY: Is this a standard fee?

MR. GREENAWAY: That is charged to the . . .

MR. REILLY: Lender?

MR. GREENAWAY: Yes.

MR. REILLY: Yes. Is this a standard fee?

MR. GREENAWAY: We follow the same procedure -- the same fee as the trust companies.



REILLY: But you have approximately 700

registered at the present time?

MR. SIMONE: Yes.

MR. REILLY: And of these, there are about 90

who belong to the Association; is this it?

MR. GREENAWAY: Throughout the Province,

their membership is now -- I think it is 90 exactly or

maybe 91.

MR. REILLY: There was a point that I placed

to you a few minutes ago . . .

MR. :

MR. GREENAWAY: I think those 90 members

probably do 50 per cent or more of the business in the

Province.

MR. REILLY: When I was speaking with you

a few moments ago, Mr. Greenaway, about the fee that

you would charge for mortgage; first of all, you said

there was a collection fee and a service fee that you

would service an account for somebody?

MR. GREENAWAY: That is correct.

MR. REILLY: Is this a standard fee?

MR. GREENAWAY: That is charged to the . . .

MR. REILLY: Lender?

MR. GREENAWAY: Yes.

MR. REILLY: Yes. Is this a standard fee?

MR. GREENAWAY: We follow the same procedure --

the same fee as the trust companies.



36/26/
RPS

1 MR. REILLY: And as far as the brokerage fee
2 is concerned at 12 per cent -- there is some doubt in my
3 mind whether this is 12 per cent on second mortgage plus
4 the seven per cent interest, or inclusive of the seven
5 per cent?

6 MR. GREENAWAY: It would be inclusive. If
7 it is 12 per cent, it should be a straight interest rate
8 of 12 per cent of the mortgage. Or, it should be a
9 seven per cent mortgage with a bonus to bring the yield
10 up to 12 per cent.

11 MR. REILLY: Right.

12 MR. GREENAWAY: Or, bring the cost up to 12
13 per cent of the -- to the borrower for that mortgage
14 money. Now, that does not include the cost of the
15 transaction. They are extra.

16 MR. REILLY: Is it required now for lawyers
17 who are dealing specifically in mortgages to be under
18 the Act, or to be a member or mortgage broker?
19 You would say some lawyers are doing 99 per cent of
20 the business in mortgages?

21 MR. GREENAWAY: Some lawyers exclusively handle
22 nothing but . . .

23 MR. REILLY: Do they have to be registered
24 with us now under this as a mortgage broker?

25 MR. GREENAWAY: No. I don't think they do,
26 do they, Mr. Simone?

27 MR. SIMONE: Well, the Superintendent,
28 in order not to force all lawyers to register if it is the
29 ordinary practice of their profession to deal with
30 mortgage business placed this interpretation that where



MR. KELLY: And as far as the brokerage fee is concerned at 12 per cent -- there is some doubt in my mind whether this is 12 per cent on second mortgage plus the seven per cent interest, or inclusive of the seven per cent?

MR. GREENAWAY: It would be inclusive. If it is 12 per cent, it should be a straight interest rate of 12 per cent of the mortgage. Or, it should be a seven per cent mortgage with a bonus to bring the yield up to 12 per cent.

MR. KELLY: Right.

MR. GREENAWAY: Or, bring the cost up to 12 per cent of the -- to the borrower for that mortgage money. Now, that does not include the cost of the transaction. They are extra.

MR. KELLY: Is it required now for lawyers who are dealing specifically in mortgages to be under the Act, or to be a member or mortgage broker?

You would say some lawyers are doing 99 per cent of the business in mortgages?

MR. GREENAWAY: Some lawyers exclusively handle nothing but . . .

MR. KELLY: Do they have to be registered with us now under this as a mortgage broker?

MR. GREENAWAY: No. I don't think they do, do they, Mr. Lincoln?

MR. KELLY: Well, the question is, in order not to force all lawyers to register if it is the ordinary practice of their profession to deal with . . .



1 the lawyer was charging a finder's fee over and above the
2 tariff which amounted to a thousand dollars or more
3 in the calendar year, he must register.

4 Where he was levying his own bonus on chattel
5 mortgage deals, or five year mortgage business aggregating
6 \$3,000.00 or more.

7 he must register. So, they gave them a nice convenient
8 out. MR. REILLY: You suggested some modification is
9 necessary then?

10 MR. SIMONE: Yes. The finder's fee he can
11 bury in his tariff somehow because it is a minimum tariff.

12
13 MR. REILLY: Who are presently registered now?
14 Is it mandatory to register now?

15 MR. GREENAWAY: The lawyers, you mean?

16 MR. REILLY: No -- of all people under the Act.

17 MR. SIMONE: Anyone who deals directly with
18 the borrower. So, we would exclude a holding company
19 that did not deal directly with the borrower and make up a --
20 what they call a Section 32 copy which does not deal
21 directly with the borrowers. We also exclude the pure
22 investor.

23 \$50.00 to a lawyer or broker. And says here, get this
24 money out for me. He doesn't see the borrower who takes
25 his \$10,000.00 or \$50,000.00.

26 Oh yes, trust companies, credit unions,
27 banks

28 MR. REILLY: Most of these members of the
29 Ontario Mortgage Brokers Association -- are they dealing
30 in first or second -- chiefly second mortgages?

the lawyer was charging a finder's fee over and above the tariff which amounted to a thousand dollars or more in the calendar year. He must register.

Where he was levying his own bonus on chattel mortgage deals, or five year mortgage business aggregating \$3,000.00 or more, he must register. So, they gave them a nice convenient tariff. Was it necessary then?

MR. SHAW: Yes. The finder's fee he can bury in his tariff somehow because it is a minimum tariff.

MR. REILLY: Who are presently registered now?

Is it mandatory to register now?

MR. GREENWAY: The lawyers, you mean?

MR. REILLY: No -- of all people under the Act.

MR. SHAW: Anyone who deals directly with

the borrower. No, we would exclude a holding company

that did not deal directly with the borrower and make no deal

what they call a Section 32 copy which does not deal

directly with the borrowers. We also exclude the pure

investor.

\$50.00 to a lawyer or broker. And says here, get this

money out for me. He doesn't see the borrower who takes

his \$10,000.00 or \$50,000.00.

Oh yes, trust companies, credit unions,

banks

MR. REILLY: Most of these members of the

Ontario Mortgage Business Association -- are they dealing

in first or second -- chiefly second mortgages?



1 MR. GREENAWAY: No. I would say they are
2 a combination of both, the same as ourselves. Some
3 deal more in first mortgages than they do second, and
4 others just the reverse. Some are general -- I suppose
5 our business is about 50-50.

6 MR. REILLY: I don't know whether you will,
7 at this particular time tell us, Mr. Greenaway, but
8 on a first mortgage what would you consider a fair rate
9 of interest?

10 MR. GREENAWAY: A fair rate of interest today
11 on -- and then again, people have various terms for
12 the type of meat they eat; and others the same with
13 property. They call it prime. Well, there are so many
14 variations of what you might consider a prime loan.

15 MR. REILLY:

16 MR. GREENAWAY: would consider
17 a prime loan. Once again, this is an escape hatch. You
18 can go around and call something by any name you wish,
19 but it goes back to the same minimum and maximum idea.

20 MR. REILLY:

21 MR. GREENAWAY: I would say that a good loan,
22 a good first mortgage loan today -- we are trying to keep
23 the rate to seven per cent. We are slipping a little
24 bit occasionally to six and three-quarters, and I am
25 afraid that they slip to six and a half. But generally,
26 for only a month or two.

27 But generally speaking, if you are going to
28 give a man privileges which are not customary, we have
29 to keep to the 7 per cent rate
30 until I decide that the competition warrants it enough



1 I would say they are

2 a combination of both, the same as ourselves. Some

3 deal more in first mortgages than they do second, and

4 others that the reverse. Some are general -- I suppose

5 our business is about 50-50.

6 MR. BENTLEY: I don't know whether you will,

7 at this particular time tell us, Mr. Greenaway, but

8 on a first mortgage what would you consider a fair rate

9 of interest?

10 MR. GREENAWAY: A fair rate of interest today

11 is -- and then again, people have various terms for

12 the type of meat they eat; and others the same with

13 property. They call it prime. Well, there are so many

14 variations of meat you might consider a prime loan.

15 MR. BENTLEY:

16 a prime loan. (Once again, this is an escape hatch. You

17 can go around and call something by any name you wish,

18 but it goes back to the same minimum and maximum idea.

19 MR. BENTLEY:

20 MR. GREENAWAY: I would say that a good loan,

21 a good first mortgage loan today -- we are trying to keep

22 the rate at seven per cent. We are slipping a little

23 bit occasionally to six and three-quarters, and I am

24 afraid that they slip to six and a half. But generally,

25 for only a month or two.

26 But generally speaking, if you are going to

27 give a new mortgage which are not customary, we have

28

29



1 now, or that there are reasons for following the general
2 trend, they come down a little lower. We certainly don't
3 expect to get any higher rate than anyone else, but they
4 don't want to drop it down until it's general practice.
5 Most people, as I say, Mr. Reilly, will pay a little bit
6 more for extra privileges. And this is where we try
7 to have advantages

8 MR. REILLY: I was surprised to hear you say
9 Mr. Greenaway, that the 12 per cent was considered maybe
10 as a maximum of a second mortgage -- it is a good second
11 mortgage. I thought it would be considerably higher.

12 MR. GREENAWAY: No. If the second mortgage
13 is -- or the property offered as second mortgage security
14 is satisfactory, I can say that I have had a lot of
15 borrowers, a lot of lenders, and everyone of them considers
16 that 12 per cent is, in their opinion, as much as they
17 wish to charge anybody for good second mortgage security.

18 MR. REILLY: With a five-point differential.

19 MR. GREENAWAY: That is right.

20 MR. REILLY: You mean as the first.

21 MR. GREENAWAY: And, as the first mortgage
22 decreases, the interest rate decreases, so will our
23 second mortgage decrease and follow that pattern. I
24 had people who would refuse to take more. Most of
25 my clients would refuse. In fact, I haven't any clients
26 that want more than 12 per cent interest. I don't
27 want to do business with them. Once they show any
28 tendency to exceed that, well then they are only going
29 to make my position that much more difficult and I'll
30 get the reputation of - all right, I am gouging everybody,



now, or that there are reasons for following the general trend, they come down a little lower. We certainly don't expect to get any higher rate than anyone else, but they don't want to drop it down until it's general practice. Most people, as I say, Mr. Reilly, will pay a little bit more for extra privileges. And this is where we try to have advantages

MR. REILLY: I was surprised to hear you say Mr. Greenaway, that the 12 per cent was considered maybe as a maximum of a second mortgage -- it is a good second mortgage. I thought it would be considerably higher. MR. GREENAWAY: No. If the second mortgage

is -- or the property offered as second mortgage security is satisfactory, I can say that I have had a lot of borrowers, a lot of lenders, and everyone of them considered that 12 per cent is, in their opinion, as much as they wish to charge anybody for good second mortgage security. MR. REILLY: With a five-point differential.

MR. GREENAWAY: That is right. MR. REILLY: You mean as the first. MR. GREENAWAY: And, as the first mortgage decreases, the interest rate decreases, so will our second mortgage decrease and follow that pattern. I find people who would refuse to take more. Most of my clients would refuse. In fact, I haven't any clients and want more than 12 per cent interest. I don't want to do business with them. Once they show any tendency to exceed that, well then they are only going to make my position that much more difficult and I'll get the reputation of -- all right, I am gouging everybody.



1 But, there is nothing to be ashamed of in lending people
2 money at 12 per cent on a second mortgage.

3 MR. REILLY: Has there been any effort on your
4 part, or the members of the Association to actually
5 expand membership in this Association?

6 MR. GREENAWAY: Oh, yes

7 MR. REILLY: Or doesn't try to restrict itself?

8 MR. GREENAWAY: I have membership campaigns
9 in my charge, and we had . . . plans
10 on now for -- it is just a matter of -- I have not
11 sufficient time to get out around the Province and call
12 meetings in various places to expand the membership, but we
13 have a good membership committee, and we are going ---we
14 hope, before this year is over, and I think I have every
15 reason to believe that we will have another 50 members
16 at least. I am shooting for 50, and I hope that I
17 can fulfil that, and I may have more because we have
18 a few new schemes for getting them in. And mind you,
19 the more control we can have with this business, the
20 more members we are going to have, because it is
21 going to be beneficial for the general public, and it
22 is going to be beneficial for those in this business
23 that have these situations dealt with so that they can
24 keep up with what is occurring.

25 MR. REILLY: Well, do all your members charge
26 a one per cent brokerage fee?

27 MR. GREENAWAY: No. Some of them charge more.

28 MR. REILLY: So there is nothing within your
29 membership that says that a suggested rate would be
30 one per cent of a brokerage fee?



...there is nothing to be ashamed of in lending people money at 12 per cent on a second mortgage.

MR. KELLY: Has there been any effort on your part, or the members of the Association to actually

MR. GREENAWAY: Oh, yes . . .

MR. KELLY: Or doesn't try to restrict itself?

MR. GREENAWAY: I have membership campaigns

in my charge, and we had plans

for now for -- it is just a matter of -- I have not

sufficient time to get out around the province and call

meetings in various places to expand the membership, but we

have a good membership committee, and we are going -- we

hope, before this year is over, and I think I have every

reason to believe that we will have another 50 members

in fact. I am shooting for 50, and I hope that I

can fulfill that, and I may have more because we have

a few new members for getting them in. And mind you,

the more control we can have with this business, the

more members we are going to have, because it is

going to be beneficial for the general public, and it

is going to be beneficial for those in this business

that have these situations dealt with so that they can

keep up with what is occurring.

MR. KELLY: Well, do all your members charge

a one per cent brokerage fee?

MR. GREENAWAY: No. Some of them charge more.

MR. KELLY: Is there is nothing within your

power that says that a suggested rate would be



1 MR. GREENAWAY: There wouldn't be any hope in
2 the world of getting that passed to our Association, and
3 it would never get my support, because I don't think it
4 is proper. No broker can -- not if he is starting out bus-
5 exist on a one per cent fee. It is ridiculous.

6 MR. REILLY: But you do charge one per cent --
7 as far as you are concerned is a brokerage fee is some
8 instances. Is that right?

9 MR. GREENAWAY: Pardon me?

10 MR. REILLY: You do charge one per cent on quite
11 a number of brokerage --

12 MR. GREENAWAY: Always charge one per cent.
13 But to start, very often it is higher.

14 MR. REILLY: Sure.

15 MR. GREENAWAY: We hope to get, in many cases,
16 one per cent from the lender which eases the cost we
17 have to give to the borrower. But you can't run a
18 business today and operate on a one per cent . . .

19 MR. REILLY: Well, not unless you have got a
20 large . . .

21 MR. GREENAWAY: And, on your second mortgage
22 business, it is more costly, so you have to have a higher
23 percentage on second mortgage than you do on first.

24 MR. REILLY: But there isn't any flat rate
25 at the present time?

26 MR. GREENAWAY: There is no flat rate anywhere
27 that I know of. And yet, there is -- I would say that
28 there is a general tendency on the part of any legitimate
29 broker that the cost to the borrower, and I speaking of
30 private funds, not corporate funds; because when you have



MR. GREENAWAY: There wouldn't be any hope in the world of getting that passed to our Association, and it would never get my support, because I don't think it is proper. No broker can -- not if he is starting out business properly. It is a one per cent fee. It is ridiculous.

MR. BELL: But you do charge one per cent -- as far as you are concerned is a brokerage fee is some instances. Is that right?

MR. GREENAWAY: Pardon me?

MR. BELL: You do charge one per cent on quite a number of brokerage --

MR. GREENAWAY: Always charge one per cent. But to start, very often it is higher.

MR. BELL: Sure.

MR. GREENAWAY: We hope to get, in many cases, one per cent from the lender which eases the cost we have to give to the borrower. But you can't run a business today and operate on a one per cent.

MR. BELL: Well, not unless you have got a second mortgage. And, on your second mortgage business, it is more costly, so you have to have a higher percentage on second mortgage than you do on first.

MR. BELL: But there isn't any flat rate at the present time?

MR. GREENAWAY: There is no flat rate anywhere that I know of. And yet, there is -- I would say that there is a general tendency on the part of any legitimate business to not charge more; because when you have



1 corporate funds, you have a tendency - if you are using those
2 you can drop the rate. But, on private funds being
3 loaned to the average broker, there are many people who
4 share my opinion that the cost to the borrower inclusive
5 of legal fees, disbursements, valuation fee and commission
6 should not exceed five per cent. I am in accord with
7 that thought And on second mortgages, once again, we
8 are getting a lot of corporate people into the second
9 mortgage business, which is going to ease the situation.
10 It is going to make money more plentiful and more easy
11 to secure. Therefore, the brokers can afford to take a
12 little bit less. But, on second mortgages -- and this
13 is following the pattern that our loans are all now
14 five years or ten years, that the rate should not -- the
15 short term that they used to try to follow, two, three,
16 five years; one year term if they could get it.
17 But on a second mortgage, the fees, regardless should
18 not exceed 10 per cent. Now, that should not exceed
19 that, but when we get up and find the cost higher than
20 that, then we want to see what is happening and what
21 caused these fees.

22 Now, you can have fees of 10 per cent that
23 to put into second mortgages is very difficult. Some
24 of these loans take a lot of time and a lot of effort.
25 It is not always easy to go and find -- he may have
26 something you want, and unless you are going to get
27 it, Mr. Reilly, you are not satisfied and nobody can
28 depend upon you. There may be something that 9 people out of
29 10 can't do. Then, I can come and somebody else comes along
30 and, well all right. You give me two



corporate funds, you have a tendency - if you are using the
you can drop the rate. But, on private funds being
lended to the average broker, there are many people who
share my opinion that the cost to the borrower inclusive
legal fees, disbursements, valuation fee and commission
should not exceed five per cent. I am in accord with
that thought. And on second mortgages, once again, we
are getting a lot of corporate people into the second
mortgage business, which is going to ease the situation.
It is going to make money more plentiful and more easy
to secure. Therefore, the brokers can afford to take a
little bit less. But, on second mortgages -- and this
is following the pattern that our loans are all now
five years or ten years, that the rate should not -- the
short term that they used to try to follow, two, three,
five years; one year term if they could get it.
But on a second mortgage, the fees, regardless should
not exceed 10 per cent. Now, that should not exceed
that, but when we get up and find the cost higher than
that, then we want to see what is happening and what
caused these fees.
Now, you can have fees of 10 per cent that
to put into second mortgages very difficult. Some
of these loans take a lot of time and a lot of effort.
It is not always easy to go and find -- he may have
something you want, and unless you are going to get
it, Mr. Kelly, you are not satisfied and nobody can
depend upon you. There may be something that 9 people out
of 10 want, but nobody else comes along
all right. You give me two



1 two or three weeks and by putting your full energy
2 behind that, it is a matter of finding the right plug for
3 the right hole. In other words you have to find an
4 investor that sees his viewpoint and
5 ours, and if we are not sold on the security, you
6 might as well give up.

7 But then you have got to find that type of person.

8 The mortgage business is no
9 bed of roses, from the standpoint of making money easily

10 MR. REILLY:

11 MR. GREENAWAY: You are following the practice of
12 getting a lot of this easy money by this gimmick deal

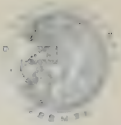
13
14 MR. REILLY: Do you have any, within your
15 own membership that -- do you have sort of a code of
16 ethics within your own group?

17 MR. GREENAWAY: Yes, we have an extremely good
18 code of ethics. We have a very fine constitution, and
19 we find that when we haul one of our members up on the
20 carpet, why . . .

21 MR. REILLY: You don't permit this gimmick
22 advertising of which you make mention?

23
24 MR. GREENAWAY: There are none of our members --
25 we voluntarily agreed to refrain. Some wanted to do it.
26 Once again, we had a divided area, but remember we
27 voted we wouldn't do it, and the boys that would like to
28 do it -- why not? They see the other fellows doing it,
29 why should they have an advantage we haven't got?

30 Well, we say to them that that advantage won't



two or three weeks and by putting your full energy
behind that, it is a matter of finding the right plug for
the right hole. In other words you have to find an
investor that sees his viewpoint and
course, and if we are not sold on the security, you
might as well give up.
But then you have got to find that type of person.
The mortgage business is no

bed of roses, from the standpoint of making money easily

MR. GREENAWAY: You are following the practice of
getting a lot of this easy money by this gimmick deal

MR. REILLY: Do you have any, within your
own membership that -- do you have sort of a code of
ethics within your own group?

MR. GREENAWAY: Yes, we have an extremely good
code of ethics. We have a very fine constitution, and
we find that when we had one of our members up on the

MR. REILLY: You don't permit this gimmick
sponsoring of which you make mention?

MR. GREENAWAY: There are none of our members
we voluntarily agreed to refrain. Some wanted to do it.
Once again, we had a divided area, but remember we
voted we wouldn't do it, and the boys that would like to
do it -- the boys that are the other fellow doing it,

why should they have an advantage we haven't got?
Well, we say to them that that advantage won't



1 last too long. Let's show by example that we don't have
2 to follow these other people.

3 MR. MacDONALD: But isn't a part of our problem,
4 and a part of your problem that your membership is still
5 a small proportion of the people in the field?

6 MR. GREENAWAY: Well, it is, but it is being
7 made all the harder by letting the people out. You see,
8 if people are members of our Association, or if they
9 have to be registered, then we can go to them and coax
10 them into the organization.

11 MR. MacDONALD: In other words, if you had more
12 regulations that had to be enforced and were being enforced,
13 the result would be that you would have more people in?

14 MR. GREENAWAY: We would have much -- we would
15 have more . . .

16 MR. MacDONALD: At the moment, it is in their
17 interests not to be in?

18 MR. GREENAWAY: It is in their interests to stay
19 out.

20 MR. MacDONALD: Because then they don't have to
21 live up to your code of ethics.

22 MR. GREENAWAY: To our code.
23 You see, and we have I think a very, very good organization.

24 MR. LAWRENCE: You say the Association has about
25 50 per cent of the business in the Province?

26 MR. GREENAWAY: Pardon me?

27 I would think so. I would
28 think so. We have no actual way that -- we have never
29 attempted by records to find out, but I would definitely
30 state that I think that the members of our Association

Let's show by example that we don't have too long.



1 were instrumental and take up 50 per cent of the credit
2 for the volume of money

3 MR. LAWRENCE: Did you ever turf anybody out or
4 or refuse admission?

5 MR. GREENAWAY: Oh, we definitely have. We have
6 tossed people out of our Association and we have refused
7 many an applicant.

8 MR. MacDONALD: What does your membership
9 pay?

10 MR. NODEN: What prompted you to do that?

11 MR. GREENAWAY: It is a \$50.00 membership fee
12 and a \$50.00 initiation fee for the first year. From
13 then on, it is \$50.00 a year. But, we have refused --
14 we have a membership committee, and it is like anything
15 else -- if you have a club, a golf club and so on, and
16 you have a panel or a committee who determine the type
17 of people you want to associate with. If everyone in
18 your association knows that so-and-so is ribbing the
19 public with every chance he gets, his whole method of
20 operating has been in such and such a manner for years --
21 we don't want him. We have had numerous people who
22 run crying to Mr. Simone that we won't let them in our
23 organization. They run to other people. The pressure
24 goes on us to admit certain people into our Association.
25 We say if we don't want to associate with them, why
26 should we have them in our ranks? And they say, well if
27 you had them in your ranks you could control them. But,
28 that is something that I don't believe.

29
30 THE CHAIRMAN: It is not a reform institution.



1 were instrumental and take up 50 per cent of the credit

2 for the volume of money

3 MR. LAWRENCE: Did you ever turn anybody out or

4

5 MR. GREENAWAY: Oh, we definitely have. We have

6 tossed people out of our Association and we have refused

7

8 MR. McDONALD: What does your membership

9

10 MR. NOTEN: What prompted you to do that?

11 MR. GREENAWAY: It is a \$50.00 membership fee

12 and a 50-cent initiation fee for new members. That

13 with you in 1930 a year. But we have refused --

14 we have a membership committee, and it is their duty

15 else -- if you have a club, a golf club and so on, and

16 you have a club, you have a committee which determines the type

17 of people you want to associate with. If everyone in

18 the Association would do this, it would be all right.

19 I think with every club in this city, the whole idea of

20 operating has been in such and such a manner for years --

21 we don't want him. We have had numerous people who

22 run crying to Mr. Simone that we won't let them in our

23 organization. They run to other people. The pressure

24 goes on us to admit certain people into our Association.

25

26

27 you had them in your ranks you could control them. But,

28

29 THE CHAIRMAN: It is not a reform investigation.



1 THE CHAIRMAN: Mr. Noden I believe had a
2 question.

3 MR. NODEN: Mr. Greenaway, supposing -- what would
4 you say to this: If second mortgages are done away with,
5 would it eliminate the supposed abuses that are existing
6 today?

7 MR. GREENAWAY: You can't do away with second
8 mortgages.

9 MR. NODEN: All right. What proportion of
10 second mortgages are there to first mortgages today?

11 MR. GREENAWAY: I would say that there is,
12 practically speaking -- let us exclude the commercial
13 estate or residential, which is satisfactory.

14 Let us not consider industrial
15 or commercial. Let us take it just from the standpoint
16 of the homeowner.

17 MR. NODEN: That is right.

18 MR. GREENAWAY: Well, it has been said on good
19 authority that 99 per cent of the homes are mortgaged,
20 and I am inclined to agree with whoever made that
21 statement. I would say that of the 99 per cent, practically
22 the whole total that

23

24

25

26

27

28

29

30



THE CHAIRMAN: Mr. Nodden I believe had a

MR. NODDEN: Mr. Greenaway, supposing -- what would

You say to this: If second mortgages are done away with,
would it eliminate the supposed abuses that are existing
today?

MR. GREENAWAY: You can't do away with second

mortgages.

MR. NODDEN: All right. What proportion of

second mortgages are there to first mortgages today?

MR. GREENAWAY: I would say that there is,

practically speaking -- let us exclude the commercial

estate or residential, which is satisfactory.

Let us not consider industrial

or commercial. Let us take it just from the standpoint

of the homeowner.

MR. NODDEN: That is right.

MR. GREENAWAY: Well, it has been said on good

authority that 99 per cent of the homes are mortgaged,

and I am inclined to agree with whoever made that

statement. I would say that of the 99 per cent, practically

the whole reveal that



37/SS

1

2

at least 75% have second mortgages on them.

3

4

5

6

7

MR. NODEN: When did this second mortgage become predominant in its present mode of thinking approximately? B.C., it started in B.C. and became quite the thing to do, to get a second mortgage, then when did it move into Ontario?

8

9

MR. GREENAWAY: Oh, there have been second mortgages as far as I know ---

10

11

12

MR. NODEN: That I know, but ---

MR. GREENAWAY: ---as long as I have been in the business ---

13

14

15

16

17

18

19

20

21

22

MR. NODEN: ---the trend I mean.

MR. GREENAWAY: The trend increased after the First World War, and in the 1930's after the crash, then interest expanded and everybody was scrambling for second mortgages. The only way you could get any money at all was to borrow on your property, but it has been a build-up. People have begun to realize that your property is like a bank. If you have an equity position there, you are always able to get money on it. That type of building ---

23

24

MR. NODEN: Yes, but I always thought that first mortgages would take care of that.

25

26

MR. GREENAWAY: No. The first mortgagee will only lend 66 2/3% of the value ---

27

28

MR. NODEN: Well, that is up to the lender how much he lends.

29

30

MR. GREENAWAY: Yes, it is up to the lender.

MR. NODEN: And based upon the security.

at least 75% have second mortgages on them.

MR. NODEN: When did this second mortgage

become predominant in its present mode of thinking
approximately? B.C., it started in B.C. and became
quite the thing to do, to get a second mortgage, then
when did it move into Ontario?

MR. GREENAWAY: Oh, there have been second

mortgages as far as I know ---

MR. NODEN: That I know, but ---

MR. GREENAWAY: ---as long as I have been in

the business ---

MR. NODEN: ---the trend I mean.

MR. GREENAWAY: The trend increased after

the First World War, and in the 1930's after the

crash, then interest expanded and everybody was

scrambling for second mortgages. The only way you

could get any money at all was to borrow on your property.

but it has been a build-up. People have begun to

realize that your property is like a bank. If you have

an equity position there, you are always able to get

money on it. That type of building ---

MR. NODEN: Yes, but I always thought that

first mortgages would take care of that.

MR. GREENAWAY: No. The first mortgagee

will only lend 66 2/3% of the value ---

MR. NODEN: Well, that is up to the lender.

how much he lends.

MR. GREENAWAY: Yes, it is up to the lender.

MR. NODEN: And that is the difficulty.



1 But now you set up a second mortgage business
2 and it becomes similar to pennystocks. I am not
3 criticizing penny stock, because if you are going to
4 develop, we have got
5 to have a gambling element in this to move forward in
6 the development program and maybe second mortgages
7 couldn't be considered on the same basis.

8 MR. GREENWAY: I don't see how because with
9 a mortgage you are dealing with absolute security and
10 with a penny stock we are dealing with what is nebulous --
11 everything is nebulous.

12 MR. NODEN: Well, you are attaching
13 to second mortgages, because of the abuses that are
RPS 14 taking place today. There are pretty shaky.

15 MR. GREENAWAY: Well, you know, of course,
16 on a second mortgage any knowledgeable investor or
17 any knowledgeable broker who is looking after or protecting
18 the interests of the lender is going to insist that
19 the owner of the property have an equity position
20 sufficient to protect himself against being wiped out
21 and sufficient to protect the second mortgagee. Now,
22 that is more or less an understood practice, and certainly
23 amongst the experienced brokers the borrower must have
24 a 20 per cent equity on his house.

25 MR. NODEN: Well, I would say the first
26 mortgagee would have the --

27 MR. GREENAWAY: Well, that's legitimate.

28 MR. NODEN: Would be legitimate banking policy.

29 MR. GREENAWAY: Well, you are speaking of . . .

30 MR. NODEN: Where a second mortgage could be



1 But now you set up a second mortgage business

2 and it becomes similar to pennystocks. I am not

3 criticizing penny stock, because if you are going to

4 develop, we have got

5 to have a gambling element in this to move forward in

6 the development program and maybe second mortgages

7 couldn't be considered on the same basis.

8 MR. GREENAWAY: I don't see how because with

9 a mortgage you are dealing with absolute security and

10 with a penny stock we are dealing with what is nebulous

11 everything is nebulous.

12 MR. NOBEN: Well, you are attaching

13 to second mortgages, because of the abuses that are

14 taking place today. There are pretty shaky.

15 MR. GREENAWAY: Well, you know, of course,

16 on a second mortgage any knowledgeable investor or

17 any knowledgeable broker who is looking after or protecting

18 the interests of the lender is going to insist that

19 the owner of the property have an equity position

20 sufficient to protect himself against being wiped out

21 and sufficient to protect the second mortgagee. Now,

22 that is more or less an understood practice, and certainly

23 amongst the experienced brokers the borrower must have

24 a 30 per cent equity on his house.

25 MR. NOBEN: Well, I would say the first

26 mortgagee would have the --

27 MR. GREENAWAY: Well, that's legitimate.

28 MR. NOBEN: Would be legitimate banking policy.

29 MR. GREENAWAY: Well, you are speaking of . . .

30 MR. NOBEN: Where a second mortgage could be



1 considered at illegitimate banking policy.

2 MR. GREENAWAY: Well, I would disagree with
3 you for the simple reason that I consider that if a
4 man has a 20 per cent equity in his house, and you are
5 able to assess the value of his house properly that you
6 could lend him money on a second mortgage over and above
7 the amount that he has as a first -- the two of them
8 including no more than 80 per cent. You have got good
9 bankable security even in that second mortgage if the
10 banks would accept it, but the banks hold up their hands
11 in holy horror about second mortgage business, or the
12 first mortgage business. We have, now; there has been
13 a recent trend in the last few months of some trust
14 companies starting to lend 80 per cent. We call them
15 the "eighty-eighters". They are eighty per cent value
16 and eight per cent interest. Now, they are just doing
17 exactly what -- they are putting into one operation what
18 now takes two. They are lending $66\frac{2}{3}$ per cent on
19 their valuation; not what you would pay for the house
20 for I might pay for it, but the sale price or the cost
21 price to you or the valuation, whichever is the lowest.

22 MR. NODEN: That is just what I am getting at
23 then, that that eighty per center today would eliminate
24 the abuses which are supposedly going on.

25 MR. GREENAWAY: No it won't, for the simple
26 reason that there is a first mortgagee in there for
27 $66\frac{2}{3}$, and there is a second mortgagee for the difference.

28 MR. NODEN: Well, all I say that an eighty
29 per center -- I say . . .

30 MR. GREENAWAY: Now you have got an eight per



considered at illegitimate banking policy.

MR. GREENAWAY: Well, I would disagree with

you for the simple reason that I consider that if a man has a 20 per cent equity in his house, and you are able to assess the value of his house properly that you could lend him money on a second mortgage over and above the amount that he has as a first -- the two of them including no more than 80 per cent. You have got good bankable security even in that second mortgage if the banks would accept it, but the banks hold up their hands in holy horror about second mortgage business, or the first mortgage business. We have, now; there has been a recent trend in the last few months of some trust companies starting to lend 80 per cent. We call them the "eighty-eighters". They are eighty per cent value and eight per cent interest. Now, they are just doing exactly what -- they are putting into one operation what now takes two. They are lending 66-2/3 per cent on their valuation; not what you would pay for the house or I might pay for it, but the sale price or the cost price to you or the valuation, whichever is the lowest.

MR. NODEN: That is just what I am getting at

then, that that eighty per cent today would eliminate the spread which are supposedly going on.

MR. GREENAWAY: No it won't, for the simple

reason that there is a first mortgage in there for 66-2/3, and there is a second mortgage for the difference

MR. NODEN: Well, all I say that an eighty

per cent -- I say . . .

MR. GREENAWAY: Now you have got an eight per



1 cent interest rate.

2 MR. NODEN: Well --

3 MR. GREENAWAY: This is more costly -- believe
4 it or not, it is more costly than the man paying seven
5 per cent for a legitimate first mortgage and twelve per
6 cent for a legitimate second mortgage. This eighty and
7 eight is a more costly situation to borrow. We have
8 proved it and it worked out, and they admitted themselves --
9 we had one of them at our meetings just a few weeks ago
10 to let us know how they operated, and they admitted

11 upon examination and cross-examination afterwards

12 that they had an edge on the eighty-eight that
13 they had a higher return on their money than seven per
14 cent, and the second mortgage portion was returning a
15 higher rate than 12 per cent to the . . .

16 MR. NODEN: Why shouldn't that be legitimate?

17 MR. GREENAWAY: Strictly legitimate deal.

18 MR. NODEN: -- competitive in the field.

19 MR. GREENAWAY: It is strictly legitimate,

20 but it puts an eight per cent interest rate on the --

21 If it is only a short term loan, ten years. Now, we

22 ~~on~~ consider that a short term loan now in the first

23 mortgage field, because 20 and 25 years are the -- we

24 have all kinds of money for 20 specific years and 25

25 specific years, never mind the 10. The trust companies

26 here will only give you ten years, and then they give you

27 a 20 or 25 year annum; mostly a 20, or 15 year annum.

28 I have got all kinds of money, and I will give
29 you a straight 20 or 25 year mortgage, not 5 or ten

30 MR. NODEN:

cent interest rate.

MR. GREENAWAY: This is more costly -- believe

it or not, it is more costly than the man paying seven per cent for a legitimate first mortgage and twelve per cent for a legitimate second mortgage. This eighty and eight is a more costly situation to borrow. We have

proved it and it worked out, and they admitted themselves we had one of them at our meetings just a few weeks ago

to let us know how they operated, and they admitted upon examination and cross-examination afterwards that they had an edge on the eighty-eight that

they had a higher return on their money than seven per cent, and the second mortgage portion was returning a higher rate than 12 per cent to the . . .

MR. NOBEN: Why shouldn't that be legitimate?

MR. GREENAWAY: Strictly legitimate deal.

MR. NOBEN: -- competitive in the field.

MR. GREENAWAY: It is strictly legitimate.

but it puts an eight per cent interest rate on the --

if it is only a short term loan, ten years. Now, we

consider that a short term loan now in the first

mortgage field, because 20 and 25 years are the -- we

have all kinds of money for 20 specific years and 25

specific years, never mind the 10. The trust companies

here will only give you ten years, and then they give you

a 20 or 25 year annuity; mostly a 20, or 15 year annuity.

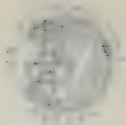
I have got all kinds of money, and I will give

you a straight 20 or 25 year mortgage, not 5 or ten

MR. NOBEN:



- 1 THE CHAIRMAN: Under the . . .
- 2 MR. REILLY: -- because you don't get stuck
- 3 with these extra costs.
- 4 MR. GREENAWAY: That is the point.
- 5 MR. REILLY: And other things in relation to
- 6 putting on two mortgages.
- 7 MR. GREENAWAY: Yes.
- 8 MR. REILLY: It certainly is competitive as a
- 9 matter of fact. It is going to be a growing trend.
- 10 MR. NODEN: Well, this is what I am getting at.
- 11 When you put two mortgages on, you get stuck with these
- 12 extra costs; whereas, if you put one on you eliminate that.
- 13 MR. GREENAWAY: Yes, but by the same token,
- 14 Mr. Noden, you have a first mortgage that, at the moment,
- 15 is only based on a ten year term, 15 year annum.
- 16 MR. NODEN: Well, N.H.A. -- they . . .
- 17 MR. GREENAWAY: Will they have 25 year terms,
- 18 you see and . . .
- 19 MR. NODEN: They are amortized . . .
- 20 MR. GREENAWAY: They are amortized
- 21 over 20 or 25. Now, the termination of that mortgages
- 22 by these mediators is 10 years. Now, after all, it
- 23 didn't take 10 years long to roll by, then the man is
- 24 faced with -- by that time, the second mortgage portion
- 25 had been paid off and he is left with about a 66-2/3
- 26 per cent mortgage on his house. That can be called in,
- 27 because he is not going to pay per cent when his mortgage
- 28 is down to a normal rate of -- to a normal amount that
- 29 he can go and borrow six or six and a half . . .
- 30 MR. NODEN: My point is if you do away



THE CHAIRMAN: Under the . . .

MR. REILLY: -- because you don't get stuck

MR. GREENAWAY: That is the point.

MR. REILLY: And other things in relation to

putting on two mortgages.

MR. GREENAWAY: Yes.

MR. REILLY: It certainly is competitive as a

matter of fact. It is going to be a growing trend

MR. NODEN: Well, this is what I am getting at.

When you put two mortgages on, you get stuck with these

extra costs; whereas, if you put one on you eliminate that.

MR. GREENAWAY: Yes, but by the same token,

Mr. Noden, you have a first mortgage that, at the moment,

is only based on a ten year term, 15 year annum.

MR. NODEN: Well, N.H.A. -- they . . .

MR. GREENAWAY: Will they have 25 year terms,

you see and . . .

MR. NODEN: They are amortized . . .

MR. GREENAWAY: They are amortized

over 60 or 75. Now, the termination of the mortgages

by these mortgages is 10 years. Now, after all, if

you have a mortgage and you have a first mortgage and a

second mortgage, the second mortgage is a

second mortgage and it is a second mortgage and it is

a second mortgage and it is a second mortgage and it is

a second mortgage and it is a second mortgage and it is

is down to a normal rate of -- to a normal amount that

can go and borrow six or six and a half . . .

MR. GREENAWAY: Yes, that is the point.



1 with second mortgages, you do away with all these supposed
2 abuses that are going on today that brought this meeting
3 together.

4 MR. GREENAWAY: There is abuses in everything,
5 and I don't think you or I or anyone can legislate against
6 second mortgages.

7 MR. LAWRENCE: Well, this is what we are supposed
8 to try and do.

9 MR. GREENAWAY: I don't think it is possible.
10 I don't think . . .

11 MR. LAWRENCE:

12 MR. GREENAWAY: . . . As long as all these people . .
13 you are next --
14 you are next.

15 MR. GREENAWAY: . . . want to borrow, they will
16 borrow, and I think they should be entitled to borrow.
17 But as long as they know what they are doing, I can
18 see no reason to prevent a man from deciding he is going
19 to mortgage his house or anything he has got; his
20 automobile. If he wants to raise money and he has got
21 some assets, he should be permitted to go and do what
22 he likes with them.

23 MR. REILLY: I agree.

24 MR. GREENAWAY: As long as the other fellow
25 can't pull the wool over his eyes.

26 MR. REILLY: I agree.

27 MR. GREENAWAY: Or make him believe he is getting
28 something different than he bargained for.

29 MR. NODEN: Of course, this is caused by easy
30 credit.



advises that are going on today that brought this meeting

MR. GREENAWAY: There is advice in everything,

and I don't think you or I or anyone can legislate against

MR. LAWRENCE: Well, this is what we are supposed

to try and do.

MR. GREENAWAY: I don't think it is possible.

I don't think . . .

MR. GREENAWAY: As long as all these people

you are next --

you are next.

MR. GREENAWAY: . . . want to borrow, they will

borrow, and I think they should be entitled to borrow.

But as long as they know what they are doing, I can

see no reason to prevent a man from deciding he is going

to mortgage his house or anything he has got; his

automobile. If he wants to raise money and he has got

some assets, he should be permitted to go and do what

he likes with them.

MR. REILLY: I agree.

MR. GREENAWAY: As long as the other fellow

can't pull the wool over his eyes.

MR. REILLY: I agree.

MR. GREENAWAY: Or make him believe he is getting

something different than he bargained for.

MR. NORMAN: Of course, this is caused by easy



1 MR. GREENAWAY: Definitely. Credit is the bless-
2 ing and the curse of the country, but I don't know which
3 is worse. It helps people go into debt and it helps people
4 have a lot of things they couldn't acquire by saving
5 loans or . . .

6 MR. BUKATOR: Mr. Chairman, I gather from
7 Mr. Greenaway that he is in complete agreement with disclosure
8 for percent paid for first and second mortgages.

9 MR. GREENAWAY: Yes.

10 MR. BUKATOR: This is commendable really,
11 because this little question that we had here yesterday
12 talking about high rates of interest on second mortgages
13 and the third, fourth and fifth yesterday we got to, and
14 then if there is a bonus paid to a broker, and he indicates
15 that the lender, actually gets the bonus and then he
16 pockets that money. This apparently is not a common
17 practice, but it happens.

18 MR. GREENAWAY: It is not a common practice,
19 but it is something that must be stopped.

20 MR. BUKATOR: And, it would appear to me to
21 be a factor when they are going about the country getting
22 rich quick overnight; it is about time we put a stop to it,
23 and I think this practice should be revealed to the public.
24 Mr. Lawrence and I had a small debate between ourselves
25 here yesterday pertaining to interest when the amount is
26 paid. I find now that I have more to support my way
27 of thinking, as of today. As a matter of fact, yesterday
28 I felt that 7% was good first mortgage money,
29 and 12 per cent is not too much to pay for second mortgages;
30 especially when a person knows what he is getting into.



1 MR. GREENAWAY: Definitely. Credit is the blessing
2 and the curse of the country, but I don't know which
3 is worse. It helps people go into debt and it helps people
4 have a lot of things they couldn't acquire by saving
5 loans or . . .

6 MR. BUKATOR: Mr. Chairman, I gather from
7 Mr. Greenaway that he is in complete agreement with disclosure
8 for percent paid for first and second mortgages.

9 MR. GREENAWAY: Yes.

10 MR. BUKATOR: This is commendable really,
11 because this little question that we had here yesterday
12 talking about high rates of interest on second mortgages
13 and the third, fourth and fifth yesterday we got to, and
14 then if there is a bonus paid to a broker, and he indicates
15 that the lender, actually gets the bonus and then he
16 pockets that money. This apparently is not a common
17 practice, but it happens.

18 MR. GREENAWAY: It is not a common practice,
19 but it is something that must be stopped.

20 MR. BUKATOR: And, it would appear to me to
21 be a factor when they are going about the country getting
22 rich quick overnight; it is about time we put a stop to it.
23 and I think this practice should be revealed to the public.
24 Mr. Lawrence and I had a small debate between ourselves
25 here yesterday pertaining to interest when the amount is
26 paid. I find now that I have more to support my way
27 of thinking, as of today. As a matter of fact, yesterday
28 I felt that 7% was good first mortgage money.

29 and 1% percent is not too much to pay for second mortgages.

30 I think when a person knows what he is getting into



1 Now, where I take this exception to what Mr.
2 Lawrence said yesterday and it got into the press today,
3 was the fact that we don't care how much people pay on
4 mortgages, second or third or otherwise, and it is about
5 time that I declared myself -- put my position clear on
6 this Committee. My only concern is for the public, that
7 they should not be paying these large amounts of money,
8 certainly to men going about stealing a lot of guns.
9 It is about time to put a stop to it. I think that this
10 Committee will come to that decision finally tomorrow.
11 And maybe, you would have been fortunate -- if it had
12 come about ten years ago you could have got money for
13 12 per cent rather than 24 that you apparently have paid.
14 It is about time the high binders, -- the robbers without
15 guns were put in their place. I am tickled to death that
16 I am on this Committee for that purpose if nothing. I
17 wouldn't associate myself with that kind of interest
18 with anybody. I don't think that have earned it. It is
19 about time some people saw it.

20 MR. REILLY: Would you not borrow from the
21 bank in a case like that?

22 MR. BUKATOR: I am very fortunate. I can go
23 to the bank and borrow a dollar now and then at six
24 per cent, by the way on a demand note and my interest
25 is calculated monthly on the unpaid balance. It is about
26 time the public in this Province got a similar break . . .

27 MR. LAWRENCE: But you are a good risk though
28 aren't you Syd?

29 MR. BUKATOR: Pardon?

30 MR. LAWRENCE: You are a good risk .

MR. PHILLY: Would you not borrow from the

MR. LAWRENCE: But you are a good risk, though



1 MR. BUKATOR: That isn't the point, exactly.

2 The fact remains that there are a lot of good risks in
3 this country that are entitled to the same privileges
4 but are not getting the same.

5 MR. REILLY: Well . . .

6 MR. BUKATOR: They are regular lending institutions.

7 MR. LAWRENCE: First of all, may I say something.
8 I don't want to be backed into the corner for advocating un-
9 biased rights for anybody to go ahead and claim interest,
10 but, if I may criticize the proceedings in the way we
11 have gone about this thing so far, I think there are a
12 great number of members of this Committee who are completely
13 ignorant of the fact that, at the moment, the Province
14 has no constitutional right in any -- this is why I suggest-
15 ed at the very beginning that we do have somebody in
16 here to give us a rundown on the constitutionality
17 of these things. At the moment,
18 the Federal Government has the sole, exclusive right to
19 legislation, pertaining or regulating interest rates under the
20 B.N.A. Act, and unless we are going to come along and
21 perhaps we should, I don't know, and advocate
22 that our constitution be changed, I think that the members
23 of this Committee should be aware of this great defect
24 as far as our Provincial authority and jurisdiction
25 is concerned, federally. If we are bound in that way,
26 the only other way that we can attack this problem is by
27 disclosure.

28 MR. REILLY: Right.

29 MR. LAWRENCE: And this is why I think

30 policy interest,



THE FACT REMAINS THAT THERE ARE A LOT OF GOOD RISKS IN

THIS COUNTRY THAT ARE ENTITLED TO THE SAME PRIVILEGES
AND ARE NOT GETTING THE SAME.

MR. REILLY: Well . . .

MR. LAWRENCE: First of all, may I say something.

I DON'T WANT TO BE BACKED INTO THE CORNER FOR ADVOCATING UN-
BIASED RIGHTS FOR ANYBODY TO GO AHEAD AND CLAIM INTEREST,
BUT, IF I MAY CRITICIZE THE PROCEEDINGS IN THE WAY WE
HAVE GONE ABOUT THIS THING SO FAR, I THINK THERE ARE

A GREAT NUMBER OF MEMBERS OF THIS COMMITTEE WHO ARE COMPLETELY
IGNORANT OF THE FACT THAT, AT THE MOMENT, THE PROVINCE
HAS NO CONSTITUTIONAL RIGHT IN ANY -- THIS IS WHY I SUGGEST

AS AT THE VERY BEGINNING THAT WE DO HAVE SOMEBODY IN
POWER TO GIVE US A RUNDOWN ON THE CONSTITUTIONALITY

OF THESE THINGS AT THE MOMENT.

THE FEDERAL GOVERNMENT HAS THE SOLE, EXCLUSIVE RIGHT TO

LEGISLATION, PERTAINING OR REGULATING INTEREST RATES UNDER THE

B.N.A. ACT, AND UNLESS WE ARE GOING TO COME ALONG AND

PERHAPS WE SHOULD, I DON'T KNOW, AND ADVOCATE

WHAT OUR CONSTITUTION BE CHANGED, I THINK THAT THE MEMBERS

OF THIS COMMITTEE SHOULD BE AWARE OF THIS GREAT DEFECT

AS FAR AS OUR PROVINCIAL AUTHORITY AND JURISDICTION

IS CONCERNED, FEDERALLY. IF WE ARE BOUND IN THAT WAY,

THE ONLY OTHER WAY THAT WE CAN ATTACK THIS PROBLEM IS BY

DISSENTING.

MR. LAWRENCE: And this is why I think

And this is why I think



1 even though it may not be carried out by some officials.
2 should be directly more along this line, because at
3 the moment, it is not going -- obviously it is not
4 succeeding in legislation. It is not succeeding today;
5 otherwise we wouldn't be sitting around here and talking
6 about it. So that's the point I want to make

7
8 May I finish? On disclosure,
9 certainly. Now, may I finish my question?

10 MR. NODEN: You have given me an opportunity and then
11 somehow or other I got back up -- just two more questions,
12 Mr. Greenaway.

13 You mentioned the fact that if a bonus is
14 paid that it should be paid to the man who lends the
15 money.

16 MR. GREENAWAY: Oh, definitely.

17 MR. NODEN: And then to . . .

18 MR. GREENAWAY: Unless it is understood that
19 it is going to somebody else, but it must be understood.

20 MR. NODEN: That should be on a statement

21
22 MR. GREENAWAY: But the bonus is supposed to --
23 is said to be going to the mortgagee. You have got to
24 make sure the mortgagee gets it. He may be in ignorance
25 and may not receive it, and then we know that somebody
26 has done something wrong. I say if that is the case,
27 let's rectify it. Let's get rid of these people that are
28 doing these things.

29 MR. NODEN: Then you would agree in the
30 final analysis, Mr. Chairman, that there should be some



even though it may not be carried out by some officials.
 should be directly more along this line, because at
 the moment, it is not going -- obviously it is not
 succeeding in legislation. It is not succeeding today;
 otherwise we wouldn't be sitting around here and talking
 about it. So that's the point I want to make

May I finish? On disclosure,

certainly. Now, may I finish my question?

MR. NOBEN: You have given me an opportunity and then
 somehow or other I got back up -- just two more questions,
 Mr. Greenway.

You mentioned the fact that if a bonus is
 paid that it should be paid to the man who lends the

MR. GREENWAY: Oh, definitely.

MR. NOBEN: And then to .

MR. GREENWAY: Unless it is understood that
 it is going to somebody else, but it must be understood.
 MR. NOBEN: That should be on a statement

is said to be going to the mortgagee. You have got to
 make sure the mortgagee gets it. He may be in ignorance
 and may not receive it, and then we know that somebody

MR. GREENWAY: I may be right or I may be wrong.

MR. NOBEN: Then you would agree in the

MR. GREENWAY: Mr. Chairman, that there should be no



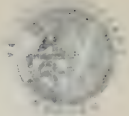
1 kind of a statement indicating that that money goes into
2 bonus payment. I think maybe you should
3 consider that.

4 THE CHAIRMAN: Well, it is right on the form
5 now; but it doesn't say to whom it is paid.

6 MR. GREENAWAY: Well, I certainly think
7 if there is a bonus going to a mortgagee, then I think
8 it is very easy to make sure that that is disclosed and
9 the mortgagee must know it, but I fail to see -- I think you
10 will have a lot of criticism, but I think the ways and
11 means of doing that are simple. Then, that will correct
12 the situation.

13 I think the more you try to hinder or curtail
14 certain things -- let's try to correct the thing that
15 will correct everything else, and then not be -- too
16 many other things in the meantime, the bonus situation
17 as well. The disclosure, too. Those things that we
18 argued about. And, they will have the affect of
19 probably eliminating the bulk -- and then when a person
20 is caught doing one of these things he can -- let there
21 be a severe penalty for it. Let us penalize these
22 people that get caught. They should be -- this is where
23 you can make a definite contribution this way.
24 Put a penalty onto these people. Get them out of business,
25 or else make it so costly for having made a mistake that
26 they will think twice before they do it again.

27 Let's have a penalty that will mean something,
28 and then people will -- good lord, if a man is not afraid
29 of paying a \$50 or \$100 fine; he just laughs at it.
30 That is not enough. He should be penalized, and properly,



1 kind of a statement indicating that that money goes into

2 bonus payment I think maybe you should

4 THE CHAIRMAN: Well, it is right on the form

5 now, but it doesn't say to whom it is paid.

7 if there is a bonus going to a mortgagee, then I think

8 it is very easy to make sure that that is disclosed and

9 the mortgagee must know it, but I fail to see -- I think you

10 will have a lot of criticism, but I think the ways and

12 the situation.

14 I think the more you try to hinder or curtail

15 certain things -- let's try to correct the thing that

16 will correct everything else, and then not be -- too

17 many other things in the meantime, the bonus situation

18 as well. The disclosure, too. Those things that we

19 argued about. And, they will have the effect of

20 is caught doing one of these things he can -- let there

21 be a severe penalty for it. Let us penalize these

22 people that get caught. They should be -- this is where

23 you can make a definite contribution this way.

24 Put a penalty onto these people. Get them out of business

25 or else make it so costly for having made a mistake that

26 they will think twice before they do it again.

27 Let's have a penalty that will mean something.

28 and then people will -- good lord, if a man is not afraid

29 of paying a \$50 or \$100 fine; he just laughs at it.

30 is not enough. He should be penalized, and penalized.



1 so that . . .

2 MR. BUKATOR: What would you suggest?

3 MR. GREENAWAY: Well, I would suggest -- put
4 him out of business. Put him out of business. If not,
5 the first time, make it so costly that the second time
6 will put him out of business

7

8

9 can't pay the fine, forget about it. Throw him out

10 It is not worth it.

11 You have got to penalize people, gentlemen,
12 who are taking money that they shouldn't take from people
13 -- giving it back is no penalty. Giving back some of the
14 ill-gotten gains is no penalty, they just --
15 well, instead of getting it whole hog, they just got part
16 of it. It is just . . .

17 MR. MacDONALD: Mr. Chairman, I wonder if --

18 since this Association is coming back, I wonder if we
19 can't make a specific request. I have been rather
20 intrigued at our discovering: A, the extent to which
21 the Association represents only a small portion of the
22 business, and the fairly frank statement by Mr. Greenaway
23 that if they had the kind of regulations that would make
24 it possible to really come to grips with the problems
25 in the field, then their Association would be able to
26 recruit members, and people would be pleased to be in,
27 rather than out; and having the leeway and the flexibility
28 that they have when they are out.

29 I wonder if we can't ask Mr. Greenaway to

30 -- in the Association's brief; subsequently, that he make



so that . . .

MR. BUKATOR: What would you suggest?

MR. GREENAWAY: Well, I would suggest -- put

him out of business. Put him out of business. If not,

the first time, make it so costly that the second time

will put him out of business

can't pay the fine, forget about it. Throw him out

It is not worth it.

You have got to penalize people, gentlemen,

who are taking money that they shouldn't take from people

-- giving it back is no penalty. Giving back some of the

ill-gotten gains is no penalty, they just --

well, instead of getting it whole hog, they just get part

of it. It is just .

MR. MACDONALD: Mr. Chairman, I wonder if --

since this Association is coming back, I wonder if we

can't make a specific request. I have been rather

intrigued at our discovering: A, the extent to which

the Association represents only a small portion of the

business, and the fairly frank statement by Mr. Greenaway

that if they had the kind of regulations that would make

it possible to really come to grips with the problems

in the field, then their Association would be able to

recruit members, and people would be pleased to be in,

I wonder if we can't ask Mr. Greenaway to

in the Association's brief, subsequently, that he make



1 very specific proposals as to the present regulations,
2 their inadequacy; and secondly, new regulations that are
3 required that would, in effect, help you to help yourself.

4 MR. GREENAWAY: I would be very happy to do
5 that, Mr. MacDonald. One of the -- one more point, then
6 I won't -- we would have had, I believe we would have had
7 that extra 50 members now, this year, had it not been for
8 the releasing of these other groups from having to become
9 licensed. We had many a person tell us, when we had
10 been after memberships "Oh, I don't need to make
11 register now, join the organization -- why should I?
12 I can do business without even being registered. Why
13 should I join your organization?"

14 MR. MacDONALD: You see . . . Perhaps I
15 am unfair, but I still would have the feeling that if
16 you had those 50 members, you are still a pretty weak
17 force in the field.

18 MR. GREENAWAY: Well, I won't agree with you.

19 MR. MacDONALD: Maybe that's an unfair way
20 of putting it.

21 You need a much larger support of people
22 in the field.

23 MR. GREENAWAY: . . . but we have representation
24 from Windsor, Sault Ste. Marie, North Bay, Hamilton,
25 Kitchener, Ottawa, Kingston -- now, we have got the best,
26 I think,

27
28 MR. MacDONALD: Concerning the people who
29 were left out by the amendment to the Act. 600 were
30 out -- you still have 700 -- you have 90 of the 700 in your

very specific proposals as to the present regulations, their inadequacy; and secondly, new regulations that are required that would, in effect, help you to help yourself.

MR. GREENAWAY: I would be very happy to do

I won't -- we would have had, I believe we would have had

licensed. We had many a person tell us, when we had

register now, join the organization -- why should I?

I can do business without even being registered. Why

MR. MACDONALD: You see . . . Perhaps I

you had those 80 members, you are still a pretty weak

force in the field.

MR. GREENAWAY: Well, I won't agree with you.

MR. MACDONALD: Maybe that's an unfair way

You need a much larger support of people

in the field.

MR. GREENAWAY: . . . but we have representation

Kabonere, Ottawa, Kingston -- now, we have got the best,

I think,

MR. MACDONALD: Concerning the people who

were left out by the amendment to the Act, 600 were

one of the 700 -- you have 90 of the 700 in your



1 organization.

2 MR. GREENAWAY: That is right. We would like
3 to see 50 per cent of the registered people in our
4 organization. But to get them there- to have them all in -
5 to tell you the truth, I would like to see them all in.

6 THE CHAIRMAN: Mr. Greenaway, I think I should
7 tell the members of the Committee, we really didn't intend
8 to have such a long question period this morning, because
9 Mr. Greenaway is coming back again, and we have detained
10 him much longer than we originally thought that we would.

11 MR. GREENAWAY: This is something that we

12
13 MR. LAWRENCE: Well, he is here as an individual
14 all right,

15
16
17 THE CHAIRMAN: Yes.

18 MR. GREENAWAY: I explained that, Mr.
19 Lawrence, that . . .

20 MR. REILLY: Well, have you any other
21 questions?

22 MR. LAWRENCE: Yes.

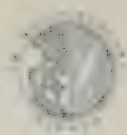
23 MR. REILLY: All right. I am sorry.

24 THE CHAIRMAN: Go ahead.

25 MR. REILLY: I am sorry to have interrupted
26 so much.

27 THE CHAIRMAN: That is all right.

28
29 MR. LAWRENCE: let me say
30 this to you. I would say that as the president of the



Investigation

That is right. We would like

to see 50 per cent of the registered people in our organization. But to get them there - to have them all in to tell you the truth, I would like to see them all in.

THE CHAIRMAN: Mr. Greenway, I think I should tell the members of the Committee, we really didn't intend to have such a long question period this morning, because Mr. Greenway is coming back again, and we have detained him much longer than we originally thought that we would.

MR. GREENWAY: That is something that we

MR. LAWRENCE: Well, he is here as an individual all right.

THE CHAIRMAN: Yes.

MR. GREENWAY: I explained that, Mr.

Lawrence, that . . .

MR. HENLEY: Well, have you any other

questions?

MR. LAWRENCE: Yes.

MR. HENLEY: All right. I am sorry.

THE CHAIRMAN: Go ahead.

MR. HENLEY: I am sorry to have interrupted

That is all right.

Let me say

I would say that as the operation of the



1 Mortgage Brokers Association, if you have any information
2 with regard to how mortgage brokers get along
3 and start having "money shines" with regard to trust
4 funds, I would suggest to you, sir, that you are
5 rather derelict in your duty; not only in your office
6 that you hold but also as a you should
7 trot along to the nearest Crown Attorney. If there is any
8
9 in you mind about statements being made to people about
10 funds going to a mortgagee and they never catch up with
11 that mortgagee; as a friendly word let me just say to
12 you: "Come along to my office and we will take a look at
13 it and we will both go over to the Crown Attorney, because
14 I am aware there is a specific provision in the Criminal
15 Code regarding theft of monies that are not accounted for,
16 that you can certainly stop a criminal charge."

17
18
19
20 I would suggest to you that if this is going
21 on now, it's merely being listed as a bonus, not a bonus
22 to the mortgagee; just plain bonus, and the borrower,
23 in his ignorance doesn't ask any more questions about it.
24 If anybody at a later date does come along and ask questions
25 about it, he says "Sure." That is a bonus to me -- that
26 isn't a bonus to anybody else."

27 This is why I would like to see rates set
28 -- a tariff set for

29 MR. GREENAWAY: So would I. I am all for this
30 tariff business.





1 MR. LAWRENCE:: But, let me offer my services
2 to you now.

3
4
5
6 MR. GREENAWAY:

7 MR. MacDONALD:

8
9 THE CHAIRMAN:

10
11
12 MR. LAWRENCE:: I don't know if we ever did
13 hear from you what you thought would be the decent rate.
14 Perhaps you don't want to tell us what a decent rate would
15 be as a mortgage broker's commission. In cases where
16 there is no finder's fee, and for cases where there is a
17 finder's fee paid by the mortgagee.

18 MR. GREENAWAY: Well, I will always state the
19 method --

20 It is hard to define. You have areas of operation where
21 Metropolitan Toronto is entirely different from the
22 suburban or

23 MR. LAWRENCE:: That is right.

24 MR. GREENAWAY: You get out in the country and
25 as you extend your field --

26 MR. LAWRENCE:: People get stuck on this.
27 Lawyers get stuck on this pretty well. I mean, what you
28 lose on the swings you gain on the round-about.

29 MR. GREENAWAY: It all depends. I am
30 not inclined to go along with you at the moment.



...and we will be ...

...and we will be ...

MR. ORSKOWAY:

MR. ORSKOWAY:

THE CHAIRMAN:

MR. LAWRENCE: I don't know if we ever did hear from you what you thought would be the decent rate. Perhaps you don't want to tell us what a decent rate would be as a mortgage broker's commission. In cases where there is no finder's fee, and for cases where there is a finder's fee paid by the mortgagee.

MR. ORSKOWAY: Well, I will always state the

method --

It is hard to define. You have areas of operation where Metropolitan Toronto is entirely different from the

MR. LAWRENCE: That is right.

MR. LAWRENCE: That is right.

MR. LAWRENCE: That is right.

MR. LAWRENCE: People get stuck on this.

Lawyers get stuck on this pretty well. I mean, what you

lose on the swings you gain on the roundabouts.

MR. ORSKOWAY: It all depends. I am

not sure of my mind with you at the moment.



1 But, I would say that we would -- this is going to be
2 difficult -- I would, as I said before, I consider the
3 top fee for the type of business that is - as the saying it is
4 not difficult business. As you know, you have tried
5 yourself to get bonus for some of your clients, and
6 times months and months went by, and you scratch your beak
7 for a possible source and you can't find the money.

8
9 MR. LAWRENCE: In my case it's youth.

10
11 MR. GREENAWAY: And you come
12 to me and I can't do it and
13 then somebody else can do it. Well, somewhere along the
14 line, you get what you want and you expect to pay for it.
15 You have to pay for it. But, I can see no reason why
16 any person should pay more than a total cost of getting
17 a first mortgage -- the total cost of five per cent, that
18 would be tops.

19 MR. MacDONALD: Does this include or exlude . .

20 MR. GREENAWAY: Inclusive . . .

21 MR. MacDONALD: . . . finder's fees?

22 MR. GREENAWAY: Exclusive of -- inclusive of
23 legal fee disbursements. I think that should be considered
24 as a level from which there shouldn't be too much
25 deviation. I think five per cent on first mortgages
26 and a maximum of ten per cent on second. Now, within
27 that scope we can build a platform that will take you . .

28 MR. LAWRENCE: We have to start somewhere. It
29 may be that one of the decisions of the Committee would
30 be that there should be tariff of the mortgage brokers

But, I would say that we would -- this is going to be
 difficult -- I would, as I said before, I consider the
 too fee for the type of business that is -- as the saying it is
 not difficult business. As you know, you have tried
 yourself to get loans for some of your clients, and
 times months and months went by, and you scratch your head
 for a possible source and you can't find the money.

MR. LAWRENCE: In my case it's youth.

MR. GREENAWAY: And you come

to me and I can't do it and

then somebody else can't do it. Well, somewhere along the
 line, you get what you want and you expect to pay for it.
 You have to pay for it. But, I can see no reason why
 any person should pay more than a total cost of getting
 a first mortgage -- the total cost of five per cent, that
 would be tags.

MR. McDONALD: Does this include on exclud

MR. GREENAWAY: Inclusive . . .

MR. McDONALD: . . . Inclusive fees?

MR. GREENAWAY: Exclusive of -- inclusive of

legal the disbursements. I think that should be considered

as a level from which there shouldn't be too much

deduction. I think five per cent on first mortgages

and a maximum of ten per cent on second. Now, within

that scope we can build a platform that will take you .

MR. LAWRENCE: We have to start somewhere. It

may be that one of the decisions of the Committee would

be that there should be tariff of the mortgage brokers



1 commission. We have to start somewhere. That is the
2 first indication --

3 MR. GREENAWAY:

4
5 MR. LAWRENCE:: Also on top of that your
6 Association may
7 make some suggestions here?

8 MR. GREENAWAY: That is on the card.
9 If there was something above that, then you would have
10 to justify it. In other words, you can't have any excessive
11 charges above that, why? You would have
12 some basis where you would have a platform that would
13 be more or less of a level -- like a thermometer. You
14 would indicate now is this thing reasonably in line, or
15 is it -- well, if it is unreasonable, then you have got
16 something to go on.

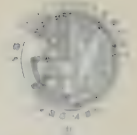
17 MR. LAWRENCE:: Well, the next thing is
18 valuation fees. Do you think there is
19 any abuse today in regard to the valuation fee?

20 MR. GREENAWAY: Not the way it used to be.
21 Not this professional racket of charging valuations on
22 loans that never intended to make, and all that. There
23 is very little being done that I know of -- very little
24 now.

25 MR. MacDONALD: Yes.

26 MR. GREENAWAY: In fact, I think -- I can say
27 we are practically free of that now.

28 MR. LAWRENCE: And this suggestion by Mr.
29 Simone yesterday, regarding the application forms
30 and the 48 hour gap, you don't think that will work.



1 commission. We have to start somewhere. That is the

2
3
4
5 MR. LAWRENCE: Also on top of that your

6 Association may

7 make some suggestions here?

8 MR. GREENAWAY: That is on the card.

9 If there was something above that, then you would have

10 to justify it. In other words, you can't have any excessive

11 charges above that, why? You would have

12 some basis where you would have a platform that would

13 be more or less of a level -- like a thermometer. You

14 would indicate now is this thing reasonably in line, or

15 is it -- well, if it is unreasonable, then you have got

16 something to go on.

17 MR. LAWRENCE: Well, the next thing is

18 valuation fees. Do you think there is

19 any abuse today in regard to the valuation fees?

20 MR. GREENAWAY: Not the way it used to be.

21 Not this professional racket of charging valuations on

22 loans that never intended to make, and all that. There

23 is very little being done that I know of -- very little

24 MR. MACDONALD: Yes.

25 MR. GREENAWAY: In fact, I think -- I can say

26 we are practically free of that now.

27 MR. LAWRENCE: That is a suggestion, is it?

28 I think generally, regarding the valuation fees

29 and the all sort of things that will come



1 MR. GREENAWAY: I don't think that will work.
2 I don't think it is necessary. I doubt very much if the
3 -- I am sorry I wasn't here to listen to those remarks,
4 but I know that he must have had some good reason for
5 suggesting it, or he wouldn't have.

6 MR. MacDONALD: Why would it be a problem
7 for the legitimate operator to leave the 24-hour lapse.
8 You see, if the law now requires them a statement that
9 he must have it 24 hours in advance so that he knows exactly
10 what he is going to sign -- that law isn't being lived
11 up to, surely the spirit, the objective of the law was
12 a valid one. For a person . . .

13 MR. GREENAWAY: There would be very few cases
14 that would need to be rushed through any quicker.
15 There would be no reason why -- no reason that I could
16 think of why it shouldn't happen, because I think there
17 are cases where you have to -- All right.
18 Go ahead and forget the regulation. If there was a matter
19 of somebody's life being saved, or a lot of money being
20 saved by closing a deal after tomorrow, it can be done.
21 But, there wouldn't be time to have the . . .

22 MR. MacDONALD: No, but on the legitimate
23 operator --

24 If he has got 24 hours, he
25 knows that anytime within that 24 hours, this could either
26 pay the number of times in which there would be a
27 cancellation would be one in a thousand, or one in many,
28 many more. So, the law wouldn't affect you. It would
29 just protect the unwitting public from the operator who



I don't think it is necessary. I doubt very much if the

For a person, a valid one.

more. So, the law would affect you. It would



1 catches them, and . . .

2 MR. GREENAWAY: Well, he may think it would
3 protect them, but it certainly wouldn't do any harm as
4 far as I am concerned I have no objections. I don't
5 think it would accomplish what you are trying to do, but
6 let's try it.

7 However, it would be a step in the right direction. It's
8 not going to do any harm. There is no reason not to
9 put it into effect. As far as we are concerned, if a man
10 wants to cancel it after three or four days, he can
11 cancel it. Unless you have spent
12 money. And, if you have spent money, we want to back
13 that's all. What is fair to one must be fair to another.
14 You can't have it all on the one shoe.

15 MR. LAWRENCE: On these applications of
16 these matters you had to criminal charges and
17 court cases here a few years ago on a switch. You went
18 into that very well. I was just wondering once more,
19 though if your own association could attempt to rectify
20 this by making the brokers themselves be legally respons-
21 ible for finding a loan at a certain principal amount,
22 at a certain rate of interest made within a
23 certain time, if he is going to try to attempt to make the
24 borrower responsible for any expenses.

25
26 MR. GREENAWAY: This is a very good point.
27 I would like to see something done on it. Why
28 should he leave a hole for the borrower if you have
29 no hold on the broker's office.

30 MR. LAWRENCE: Well, I think this would be



MR. GREENAWAY: Well, he may think it would

as far as I am concerned I have no objections. I don't

think it would accomplish what you are trying to do, but

let's try it.

However, it would be a step in the right direction. It's

There is no reason not to

out it into effect. As far as we are concerned, if a man

wants to cancel it after three or four days, he can

cancel it. Unless you have spent

money. And, if you have spent money, we want to back

that's all. What is fair to one must be fair to another.

You can't have it all on the one side.

MR. LAWRENCE: On these applications of

these matters you had to criminal charges and

court cases here a few years ago on a switch. You went

into that very well. I was just wondering once more,

though if your own association could attempt to rectify

this by making the borrower themselves be legally respons-

ible for finding a loan at a certain principal amount,

at a certain rate of interest made within a

certain time, if he is going to try to attempt to make the

borrower responsible for any expenses.

MR. GREENAWAY: This is a very good point.

I would like to see something done on it. Why

should he leave a hole for the borrower if you have

no hole in the principal

no hole in the principal



1 a great step towards the view Mr. Simone pointed out
2 regarding this application business. That is all I have
3 got, Mr. Chairman. I would like to say that I appreciated
4 Mr. Greenaway's testimony more than anything else this
5 morning. is this matter of full disclosure; not only
6 to the borrower, but to the lender, which is something
7 that . . . When we
8 get into that field we have got to take this into
9 situation

10 THE CHAIRMAN: Yes.

11 MR. GREENAWAY: Well, there are points there
12 that there are certain cases. As I say, when there is
13 a bonus, I say that that particularly is vital to it.
14 Then you can -- you have something to pin on somebody
15 doesn't take place. Whenever there is a bonus
16 to a lender, then I say under those conditions, whatever
17 you do, please do something about that particular situation
18 to make it compulsory for that disclosure to be made.
19 Let the lender know that there is a bonus, and then if he
20 didn't get it, you would hear the noise
21 from coast to coast.

22 THE CHAIRMAN: Well, Mr. Greenaway,
23 we appreciate very much your coming and giving us the
24 benefit of your experience in the . . .

25 MR. GREENAWAY: Well, it has been a privilege
26 to be here and I certainly . . .

27 THE CHAIRMAN: We certainly look forward to
28 having you back again when your Association is going to
29 present a brief.

30 Just before you go, I think Mr. Simone would like



1 I should like to say that I am very glad to

2 regarding this application business. That is all I have

3 to say at this time. I am sure that you will

4 be very interested in what I have to say.

5 morning. Is this matter of full disclosure; not only

6 to the borrower, but to the lender, which is something

7 that

8 get into that field we have got to take this into

9 situation

10 THE CHAIRMAN: Yes.

11 MR. GREENAWAY: Well, there are points there

12 that there are certain cases. As I say, when there is

13 a bonus, I say that that particularly is vital to it.

14 Then you can -- you have something to pin on somebody

15 doesn't take place. Whenever there is a bonus

16 to a lender, then I say under those conditions, whatever

17 you do, please do something about that particular situation

18 to make it compulsory for that disclosure to be made.

19 Let the lender know what there is a bonus, and then if he

20 doesn't get it, you would hear the noise

21 from want to cost.

22 THE CHAIRMAN: Well, Mr. Greenaway,

23 we appreciate very much your coming and giving us the

24 benefit of your experience in the . . .

25 MR. GREENAWAY: Well, it has been a privilege

26 to be here and I certainly . . .

27 THE CHAIRMAN: We certainly look forward to

28 having you back again when your Association is going to

29 present a report.

30



1 a minute or two to clear up a couple of points that have
2 come up during this morning.

3 MR. SIMONE: Mr. Chairman, I think there are
4 two important things this Committee should know about
5 bonuses. First of all, bonus agreements that I have seen
6 -- and I believe with most mortgage brokers where a bonus
7 is taken, ought to protect themselves because of the Interest
8 Act by getting a bonus agreement signed but he does
9 not necessarily indicate that the bonus is going to the
10 lender.

11
12 The borrower merely acknowledges that he is aware of the
13 fact that a bonus has been taken. Secondly, certain
14 brokers have devised a very clever way of justifying the
15 pocketing of a portion of the bonus by a very convenient
16 method, and that is this: They will claim that they had
17 bank deals for even a day, or a week, or a month. And,
18 as far as I can see on a high risk field they have
19 received a commitment from a buyer in advance, and
20 if they, in fact, advance their own money before they
21 take the money from the lender, this is purely a mask.
22 This is hardly legally justified, taking a portion of
23 that bonus.

24 MR. LAWRENCE: Well sir, you have just handed
25 us a revised form statement of mortgage. Why in
26 the world would you put on that form under Item No. 8 (bonus
27 to be paid or has been paid to the mortgagee).

28
29 MR. GREENAWAY: I was just going to mention
30 that this form

a minute or two to clear up a couple of points that have
come up during this morning.

MR. STONE: Mr. Chairman, I think there are

two important things this Committee should know about
bonuses. First of all, bonus agreements that I have seen
-- and I believe with most mortgage brokers where a bonus
is taken, ought to protect themselves because of the interest
Act by getting a bonus agreement signed but he does
not necessarily indicate that the bonus is going to the
lender.

The borrower merely acknowledges that he is aware of the
fact that a bonus has been taken. Secondly, certain
brokers have devised a very clever way of justifying the
bookkeeping of a portion of the bonus by a very convenient
method, and that is this: They will claim that they had
bank deals for even a day, or a week, or a month. And,
as far as I can see on a high risk field they have
received a commitment from a buyer in advance, and
if they, in fact, advance their own money before they
take the money from the lender, this is purely a matter.
This is hardly legally justified, taking a portion of
that bonus.

MR. LAWRENCE: Well sir, you have just handed

us a revised form statement of mortgage. Why in
the world would you put in that form under Item No. 8 (bonus
to be paid or has been paid to the mortgagee).

MR. STONE: I was just going to mention



1 could state that the bonus went to the mortgagee, then you
2 have got what it needs to go after the people who do not
3 give this bonus to the mortgagee.

4 MR.

5 MR. GREENAWAY:

6
7 MR. MacDONALD: Mr. Simone was pretty
8 clear yesterday that there were witnesses

9
10 MR. SIMONE: The form can be changed and
11 we will
12 certainly have some recommendations to make.

13 MR. LAWRENCE: Very good.

14 MR. GREENAWAY: (Inaudible)

15 Before we adjourn, Mr. Chairman, may I
16 say

17 that the Association has a great ally in Mr. Simone.
18 We are very proud of the work he has been doing. I know
19 he doesn't like his job too well, because ---

20 THE CHAIRMAN: We are very proud of him too.

21

22

23

24

25

26

27 THE CHAIRMAN: Would the members just wait
28 a moment? Mrs. Dell has some forms she wishes to hand
29 out.

30 ---LUNCHEON ADJOURNMENT.



could state that the bonus went to the mortgagee, then you
have got what it needs to go after the people who do not

MR. GREENAWAY:

MR. MacDONALD: Mr. Simone was pretty

clear yesterday that there were witnesses

MR. SIMONE: The form can be changed and

we will

certainly have some recommendations to make.

MR. LAWRENCE: Very good.

MR. GREENAWAY: (Inaudible)

Before we adjourn, Mr. Chairman, may I

say

that the Association has a great ally in Mr. Simone.

We are very proud of the work he has been doing. I know

he doesn't like his job too well, because --

THE CHAIRMAN: We are very proud of him too.

THE CHAIRMAN: Would the members just wait

a moment? Mrs. Dell has some forms she wishes to hand

out.



/26/RPS

1 ---UPON RESUMING:

2

3 THE CHAIRMAN: As you will see from your
4 agenda, we have Mr. John M. Hallinan here with us today,
5 the general manager of the Ontario Credit Union League,
6 and we would ask Mr. Hallinan to come up here now and
7 make his submission.

8 With Mr. Hallinan we have Mr. John H. Burton,
9 the Assistant Supervisor of Examinations of the Ontario
10 Credit Union League. Mr. Hallinan?

11 MR. HALLINAN: To Mr. H.J. Price, Chairman
12 and members of the Select Committee on Consumer Credit.

13 "Gentlemen:

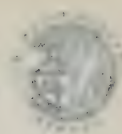
14 "On behalf of the Ontario Credit Union
15 "League Limited, we are pleased to comply with
16 "your request and make herewith our submission
17 "providing information relevant to the scope
18 "of our Committee's terms of reference.

19 "INTRODUCTION:

20 "We feel that the Committee might be
21 "interested in the submission made recently
22 "by the Ontario Credit Union League to the
23 "Royal Commission on Taxation. This submission
24 "will provide background information, explain-
25 "ing the philosophy, underline the activities
26 "of the credit union movement in the field of
27 "consumer credit. Five copies are provided
28 "for the use of the Committee.

29 "LOANS:

30 "Appendices three and four of the submission



1

2

3

THE CHAIRMAN: As you will see from your

4

agenda, we have Mr. John M. Hallinan here with us today.

5

the general manager of the Ontario Credit Union League,

6

and we would ask Mr. Hallinan to come up here now and

7

With Mr. Hallinan we have Mr. John H. Burton,

8

the Assistant Supervisor of Examinations of the Ontario

9

Credit Union League. Mr. Hallinan?

10

MR. HALLINAN: To Mr. H.J. Price, Chairman

11

of the Ontario Credit Union League.

12

"Gentlemen:

13

"On behalf of the Ontario Credit Union

14

"League Limited, we are pleased to comply with

15

"your request and make herewith our submission

16

"providing information relevant to the scope

17

"of our Committee's terms of reference.

18

"INTRODUCTION:

19

"We feel that the Committee might be

20

"interested in the submission made recently

21

"by the Ontario Credit Union League to the

22

"Royal Commission on Taxation. This submission

23

"will provide background information, explain-

24

"ing the philosophy underlying the activities

25

"of the credit union movement in the field of

26

"consumer credit. Five copies are provided

27

"for the Committee's use.

28

"Thank you.

29

"Very truly yours,

30



1 "indicate the extent to which Ontario credit
2 "unions are involved in loans to their
3 "members. Personal and mortgage loans together,
4 "represent more than 85 per cent of the total
5 "credit union assets. The difference between
6 "personal and mortgage loans can be explained
7 "be reference to the standard by-laws,
8 "Article 5, Section 3, Sub-Section (C) which
9 "reads as follows:

10 "No loans shall be for more than
11 "three thousand dollars in excess of the
12 "member's savings, unless secured by
13 "a first mortgage on real estate.
14 "And in no case, shall the two of them
15 "amount on loan to any member at any
16 "time exceed \$10,000.00."

17 "The by-laws of some larger credit unions
18 "permit personal loans up to \$5,000.00 and
19 "mortgage loans up to \$20,000.00. The personal
20 "loan limit is modified for small credit unions
21 "by Article 5, Section 3, Sub-Section (B) of
22 "the by-laws which reads:

23 "The total amount on loan to any
24 "member at any time shall not exceed
25 "one thousand dollars in excess of the
26 "member's savings, or five per cent
27 "of the credit union's capital deposits
28 "and surplus in excess of the member's
29 "savings, whichever is the greater."

30 "INTEREST RATES:



"indicate the extent to which Ontario credit
unions are involved in loans to their
members. Personal and mortgage loans together
represent more than 85 per cent of the total
credit union assets. The difference between
personal and mortgage loans can be explained
the reference to the standard by-laws,
Article 5, Section 3, Sub-Section (C) which
reads as follows:
"No loans shall be for more than
three thousand dollars in excess of the
member's savings, unless secured by
a first mortgage on real estate.
"And in no case, shall the two of them
amount on loan to any member at any
time.
"The by-laws of some larger credit unions
permit personal loans up to \$5,000.00 and
mortgage loans up to \$20,000.00. The personal
loan limit is modified for small credit unions
by Article 5, Section 3, Sub-Section (B) of
the by-laws which reads:
"The total amount on loan to any
member at any time shall not exceed
one thousand dollars in excess of the
member's savings, or five per cent
of the credit union's capital deposits
and surplus in excess of the member's
savings, whichever is the greater."



1 "The interest rate the credit unions may
2 "charge is limited by Section 29, Sub-Section
3 "2 of The Credit Unions Act; (Revised Statutes
4 "of Ontario, 1960) which reads:

5 "Interest, together with all charges
6 "and penalties shall not exceed one per
7 "cent per month on the unpaid balance of
8 "any loan."

9 "This regulation is literally followed.
10 "The credit union cannot even charge a member
11 "the cost of registering a chattel mortgage
12 "if the interest rate on the loan is a maximum
13 "of one per cent.

14 "The cost of collection of delinquent
15 "loans cannot be charge to the member if he
16 "is charged maximum interest.

17 "The setting of the interest rate is the
18 "responsibility of the Board of Directors;
19 "Article 4, Section 4 of the by-laws, and the
20 "true interest rate is well-publicized to the
21 "members. There are no hidden charges or
22 "penalties in the credit union loan business.
23 "The member may know the full cost of his
24 "loan when he applies for it.

25 "There is no additional charge if the
26 "loan is paid up before the due date.

27 "The majority of Ontario credit unions
28 "charge for personal loans the maximum one
29 "per cent per month on the unpaid balance for
30 "two reasons



"The interest rate the credit unions may
 "change is limited by Section 29, Sub-Section
 "2 of The Credit Unions Act; (Revised Statutes
 "of Ontario, 1990) which reads:
 "Interest, together with all charges
 "and penalties shall not exceed one per
 "cent per month on the unpaid balance of
 "any loan."
 "This regulation is literally followed.
 "The credit union cannot even charge a member
 "the cost of registering a chattel mortgage
 "if the interest rate on the loan is a maximum
 "of one per cent.
 "The cost of collection of delinquent
 "loans cannot be charge to the member if he
 "is charged maximum interest.
 "The setting of the interest rate is the
 "responsibility of the Board of Directors;
 "Article 4, Section 4 of the by-laws, and the
 "true interest rate is well-publicized to the
 "members. There are no hidden charges or
 "penalties in the credit union loan business.
 "The member may know the full cost of his
 "loan when he applies for it.
 "There is no additional charge if the
 "loan is paid up before the due date.
 "The majority of Ontario credit unions
 "charge for personal loans the maximum one
 "per cent per month on the unpaid balance for



"1) because of the ease of calculation.

"One-one hundredth of the previous month's
"balance.

"2) because at the annual meeting of the
"members, the latter, on the recommendation
"of the Board of Directors made it clear
"a rebate of interest paid out of net
"earnings, whether it is known; or, if
"the expense of operation has been, and
"what dividends should be paid on members'
"shares.

"The average rebate of all interest in
"1961 was in the neighbourhood of 16 per cent.

"Perhaps the credit union loan interest
"rate should be clarified. One per cent per
"month on the unpaid balance equals 12 per
"cent simple interest per annum. However,
"the effective rate on a loan, repaid within
"the year is 6-1/2 per cent.

"For example, a loan of one thousand
"dollars repaid in 12 equal monthly instalments
"would be charged total interest of \$65.00,
"or 6-1/2 per cent of the principal. This,
"of course, is equivalent to one per cent per
"month on the money actually in the hands of
"the borrower. This 6-1/2 per compares with
"the usual chartered bank's six per cent.

"Very often, of course, taking interest
"rebate into account, the credit union rate
"is lower than the bank's rate. Some credit



"1) because of the ease of calculation.

"One-one hundredth of the previous month's

"2) because at the annual meeting of the

"members, the latter, on the recommendation

"of the Board of Directors made it clear

"a rebate of interest paid out of net

"earnings, whether it is known; or, if

"the expense of operation has been, and

"what dividends should be paid on members'

"The average rebate of all interest in

"1961 was in the neighbourhood of 16 per cent.

"Perhaps the credit union loan interest

"rate should be clarified. One per cent per

"month on the unpaid balance equals 12 per

"cent simple interest per annum. However,

"the effective rate on a loan, repaid within

"the year is $6\frac{1}{2}$ per cent.

"For example, a loan of one thousand

"dollars repaid in 12 equal monthly instalments

"would be charged total interest of \$65.00,

"or $6\frac{1}{2}$ per cent of the principal. This,

"of course, is equivalent to one per cent per

"month on the money actually in the hands of

"the borrower. This $6\frac{1}{2}$ per cent compares with

"the usual chartered bank's six per cent.

"Very often, of course, taking interest

"The credit union, the credit union, the credit union

"The credit union, the credit union, the credit union



1 "unions have reduced their initial interest
2 "charge, instead of paying the rebate after
3 "the fiscal year-end.

4 "Some credit unions have particularly
5 "rural routes -- charge from a half to three-
6 "quarters per cent on the monthly balance,
7 "with no rebate, of course.

8 "Many of the loans involved here would
9 "be from farmers and growers and would not
10 "be repaid in regular, frequent instalments.
11 "But, in one or two a month when the crop
12 "is in, or the livestock sold.

13 "A convenient formula for calculating
14 "the interest on a credit union loan at
15 "one per cent per month on the unpaid balance
16 "based on 360-day year is as follows:

17 "The number of montly instalments plus
18 "one over two hundred, multiplied by the
19 "principal amount -- for example: What
20 "interest will be paid on a loan of a thousand
21 "dollars to repay in 24 monthly instalments?

22 " $24 + 1/200 \times 1000/1 = \125.00

23 "If the borrower wishes to repay the
24 "loan in equal instalments, including interest,
25 "all that needs to be done is to add the
26 "one hundred and twenty-five dollars to the
27 "thousand, making \$1125, and divide by 24,
28 "giving a monthly repayment of \$46.88. This
29 "method of repayment is known as 'blended
30 "'instalment'. The other method commonly



"unions have reduced their initial interest charge, instead of paying the rebate after the fiscal year-end.

"Some credit unions have particularly rural routes -- charge from a half to three-quarters per cent on the monthly balance.

"With no rebate, of course.

"Many of the loans involved here would be from farmers and growers and would not be repaid in regular, frequent installments.

"But, in one or two a month when the crop is in, or the livestock sold.

"A convenient formula for calculating the interest on a credit union loan at one per cent per month on the unpaid balance based on 360-day year is as follows:

"The number of monthly installments plus one over two hundred, multiplied by the principal amount -- for example: What interest will be paid on a loan of a thousand dollars to repay in 24 monthly installments?

$$24 + 1700 \times 1000 \div 1 = \$127.00$$

"If the borrower wishes to repay the loan in equal installments, including interest, all that needs to be done is to add the one hundred and twenty-five dollars to the thousand, making \$1125, and divide by 24, giving a monthly repayment of \$46.88. This method of repayment is known as 'blended installment'. The other method commonly



1 "used is for the borrower to repay fixed
2 "amounts of principal, plus whatever the
3 "actual interest is due. In the above example,
4 "the borrower would pay \$41.66 monthly off
5 "the principal, plus \$10.00 interest the
6 "first month, and successively less each
7 "subsequent month.

8 "THE PURPOSES OF LOANS:

9 "The purposes for which personal loans
10 "are made are wide are varied.

11 "Section 4, Sub-Section 1, Sub-Section (B)
12 "of the Credit Unions Act indicates as one
13 "of the objects of credit unions, the making
14 "of loans to members, with or without security
15 "for provident and productive purposes.
16 "Loans are made for all reasonable purposes
17 "at the discretion of the credit committee of
18 "the individual group. Appendix A illustrates
19 "this well.

20 "SECURITY FOR LOANS:

21 "The security taken on personal loans
22 "is indicated in Article 5, Section 3, Sub-
23 "Section (D) of the by-laws which reads in
24 "part:

25 "A chattel mortgage and assignment
26 "'of wages, or other monies receivable
27 "and assignment of shares of the credit
28 "'union for the endorsement of a promissory
29 "'note may be deemed security.

30 "'The promissory note is always taken



"used as for the borrower to repay fixed

"amounts of principal, plus whatever the

"actual interest is due. In the above example,

"the borrower would pay \$41.66 monthly off

"the principal, plus \$10.00 interest the

"first month, and successively less each

"THE PURPOSES OF LOANS:

"The purposes for which personal loans

"are made are wide and varied.

"Section 4, Sub-Section 1, Sub-Section (D)

"of the Credit Union Act indicates as one

"of the objects of credit unions, the making

"of loans to members, with or without security

"for provident and productive purposes.

"Loans are made for all reasonable purposes

"at the discretion of the credit committee of

"the individual group. Appendix A illustrates

"this well.

"SECURITY FOR LOANS:

"The security taken on personal loans

"is indicated in Article 5, Section 3, Sub-

"Section (D) of the by-laws which reads in

"A chattel mortgage and assignment

"of wages, or other monies receivable

"and assignment of shares of the credit

"union for the enforcement of a promissory

"note and to secure security.

"The promissory note is always taken



1 "whilst a wage assignment and credit
2 "union shares are the commonest forms
3 "of security taken."
4 "Where a borrower is self-employed, an
5 "assignment of monies receivable is often taken.
6 "Chattel mortgages are fairly common security
7 "in cases of loans for new or late-model
8 "automobiles. Such chattels are either generally
9 "registered or covered by non-
10 "insurance.
11 "Homemakers often sign promissory notes
12 "and sometimes wage assignments.
13 "AUTHORITY TO GRANT LOANS:
14 "The responsibility for the granting of
15 "loans belongs to the credit committee.
16 "Section 31, Sub-Section (B) of The Credit
17 "Unions Act states:
18 "It is the duty of the credit union to
19 "consider all applications and approve
20 "all loans to members.
21 "REPAYMENT OF LOANS:
22 "The Board of Directors may set loaning
23 "policies to which the credit committee must
24 "comply. There are no regulations other than
25 "those which may be set by the directors regard-
26 "ing terms of repayment.
27 "In practice, loan repayments are generally
28 "made weekly every two weeks, semi-monthly or
29 "monthly, over periods from six months to
30 "three years. Members may be permitted to



"...that a wage assignment and credit
"union shares are the commonest forms
"of security taken."
"Where a borrower is self-employed, an
"assignment of monies receivable is often taken."
"In cases of loans for new or late-model
"automobiles. Such chattels are either generally
"registered or covered by non-
"insurance."
"Homeowners often sign promissory notes
"and sometimes wage assignments."
"AUTHORITY TO GRANT LOANS:
"The responsibility for the granting of
"loans belongs to the credit committee.
"Section 31, Sub-Section (D) of The Credit
"Rules and Articles:
"It is the duty of the credit union to
"consider all applications and approve
"all loans to members."
"TREATMENT OF LOANS:
"The Board of Directors may set loaning
"policies to which the credit committee must
"obey. There are no regulations other than
"those which may be set by the directors regard-
"ing terms of repayment."
"In practice, loan repayments are generally
"monthly, over periods from six months to
"three years. Members may be permitted to



1 "refinance their loans to extend the terms in
2 "cases of necessity.

3 "The obtaining of a new loan to add to an
4 "existing loan balance is common practice.
5 "Because of the underlying philosophy of credit
6 "unions, delinquents are treated as reasonably
7 "are fairly as possible; and everything possible
8 "is done to help the borrower in difficulty,
9 "including the postponing of principal payments,
10 "and sometimes, waiving or reduction of interest.

11 "LOAN INSURANCE:

12 "Most credit unions are life-insured
13 "100 per cent up to age 70. And, insured
14 "against permanent disability up to age 60
15 "by the Mutual Insurance Society
16 "up to a limit of \$10,000.00. No extra charges
17 "are made to the borrower for this insurance.

18 "MORTGAGE LOANS:

19 "As indicated above, any loan in excess
20 "of \$3,000.00 (sometimes \$5,000.00), in excess
21 "of member's savings must be secured by a
22 "first mortgage on real estate. Usually,
23 "total mortgage loans must not exceed 25 per
24 "cent of the credit union's assets; nor,
25 "may an individual mortgage exceed 60 per
26 "cent of the appraised value of the property
27 "offered as security.

28 "A five-year renewal clause in the mortgage
29 "agreement is mandatory.

30 "Usually, only large credit unions with



"refinance their loans to extend the terms in

"cases of necessity.

"The obtaining of a new loan to add to an

"existing loan balance is common practice.

"Because of the underlying philosophy of credit

"unions, delinquents are treated as reasonably

"are fairly as possible; and everything possible

"is done to help the borrower in difficulty.

"Including the postponing of principal payments,

"and sometimes, waiving or reduction of interest

"LOAN INSURANCE

"Most credit unions are life-insured

"100 per cent up to age 70. And, insured

"against permanent disability up to age 60

"by the Mutual Insurance Society

"up to a limit of \$10,000.00. No extra charges

"are made to the borrower for this insurance.

"MORTGAGE LOANS:

"As indicated above, any loan in excess

"of \$3,000.00 (sometimes \$5,000.00), in excess

"of member's savings must be secured by a

"first mortgage on real estate. Usually,

"total mortgage loans must not exceed 25 per

"cent of the credit union's assets; nor,

"may an individual mortgage exceed 60 per

"cent of the appraised value of the property

"offered as security.

"A loan must always be repaid in full by the borrower

"(REMARKS BY THE SPEAKER)

"THE SPEAKER'S REMARKS WERE THAT THE UNION



1 "considerable surplus funds make mortgage
2 "loans, as priority is always given to
3 "personal loan requirements.

4 "Interest rates vary from 5-1/2 to
5 "7 per cent, calculated either on a
6 "monthly-quarterly or semi-annual basis.

7 "Loans are usually insured at no
8 "extra cost to the borrower. The borrower
9 "bears the legal cost of the mortgage,
10 "because the total charge would not exceed
11 "the legal maximum of one per cent per
12 "month on the unpaid balance.

13 "Credit unions are not permitted to
14 "take second mortgages, except as security
15 "on personal loans."

16 And Appendix A is following --

17 "PURPOSES AND LOANS:

18 "The following are actual extracts
19 "from credit committee reports of three
20 "of Ontario credit unions' annual reports
21 "showing breakdowns of loans made during
22 "the year."

23 THE CHAIRMAN: Thank you very much, Mr.
24 Hallinan. Is there anything you wish to add to your
25 submission at this time?

26 MR. HALLINAN: I can't think of anything,
27 Mr. Chairman.

28 THE CHAIRMAN: Fine. We may have some questions,
29 but I think . . .

30 MR. LAWRENCE: Too bad Mr. White isn't here.



"considerable surplus funds make mortgage
loans, as priority is always given to
personal loan requirements.
Interest rates vary from 5-1/2 to
7 per cent, calculated either on a
monthly-quarterly or semi-annual basis.
Loans are usually insured at no
extra cost to the borrower. The borrower
bears the legal cost of the mortgage,
because the total charge would not exceed
the legal maximum of one per cent per
month on the unpaid balance.
Credit unions are not permitted to
take second mortgages, except as security
on personal loans."
And Appendix A is following --

APPENDIX A

"The following are actual extracts
from credit committee reports of three
of Ontario credit unions, annual reports
showing breakdown of loans made during
the year."

THE CHAIRMAN: Thank you very much, Mr.

Halpin. Is there anything you wish to add to your

submission at this time?

MR. HALPIN: I can't think of anything.

THE CHAIRMAN: Fine. We may have some questions.



1 THE CHAIRMAN: Pardon?

2 MR. LAWRENCE: Too bad Mr. White isn't here.

3 THE CHAIRMAN: Oh unfortunately, yes.

4 MR. LAWRENCE: I am curious about the life
5 of first mortgages.

6
7 second and third; sometimes even fourth.

8 In your examples there, it always must be
9 secured by a first mortgage loan. Except in the
10 very last sentence you say credit unions are not
11 permitted to take second mortgages, except as security
12 on personal loans. In actual fact, they do take a fair
13 number of second mortgages

14 MR. HALLINAN: Provided they are less than --

15
16 MR. LAWRENCE: \$3,000.00.

17
18 MR. HALLINAN:

19 MR. LAWRENCE: I mean, I am not saying this
20 is a bad thing.

21 MR. HALLINAN: No.

22 MR. LAWRENCE: I think this is a wonderful
23 thing to get these loans from you people at a much better
24 rate of interest, of course, than they can in the second
25 mortgage field. I am not criticizing.

26 MR. LETHERBY: If a member had \$2,000.00 in
27 shares . . .

28 THE CHAIRMAN: Would you speak up?

29 MR. LETHERBY: If a member had \$2,000.00, in shares
it is conceivable he could have a personal loan of \$5,000.00



THE CHAIRMAN: London?

MR. LAWRENCE: Too bad Mr. White isn't here.

THE CHAIRMAN: Unfortunately, yes.

MR. LAWRENCE: I am curious about the life

of first mortgages.

second and third; sometimes even fourth.

In your examples there, it always must be

secured by a first mortgage loan. Except in the

very last sentence you say credit unions are not

permitted to take second mortgages, except as security

on personal loans. In actual fact, they do take a fair

number of second mortgages

MR. HALLINAN: Provided they are less than --

MR. LAWRENCE: Yes, that's right.

MR. HALLINAN:

MR. LAWRENCE: I mean, I am not saying this

is a bad thing.

MR. HALLINAN: No.

MR. LAWRENCE: I think this is a wonderful

thing to get these loans from you people at a much better

rate of interest, of course, than they can in the second

mortgage field. I am not criticizing.

MR. LUTHERBY: If a member had \$2,000.00 in

THE CHAIRMAN: Would you speak up?

MR. LUTHERBY: If a member had \$2,000.00 in shares

in a mortgage company, it would be a personal loan of \$2,000.00



1 which could be secured by a first mortgage, because the
2 \$5,000.00 would be \$3,000.00 partly secured, which could be
3 secured by a second mortgage.

4 MR. REILLY: And any reference to the standard
5 by-laws -- are these mandatory on the credit unions to
6 -- as a standard by-law?

7 MR. HALLINAN: Yes, they are.

8 MR. REILLY: They are. They are mandatory.

9 MR. HALLINAN: They are by-laws agreed on by
10 the Department of Insurance on our lien, and they have
11 developed over the years. From time to time, they were
12 amended in the light of change of traditions.

13 MR. REILLY: But, I mean in effect then, the
14 credit unions themselves cannot draw up by-laws for
15 themselves. That is, they are difference from the standard
16 by-law. Is that right?

17 MR. HALLINAN: They permit of certain modifi-
18 cations of operations, but, by and large they have to
19 go by the standard by-laws.

20 THE CHAIRMAN: Mr. MacDonald?

21 MR. MacDONALD: Well, I have only one comment.
22 I regret Mr. White isn't here, because the interesting
23 thing here is that you get two circumstances which are
24 the reverse of what we normally have heard. Here you
25 have benefits, such as insurance and charges for -- legal
26 charges and so on, which are free, beyond the 12 per
27 cent minimum.

28 Secondly, where the interest rate is stated
29 at 12, the effective rate is really six and a half. Whereas,
30 normally, we are faced with the problem that it is stated



1 which could be secured by a first mortgage, because the
 2 \$5,000.00 would be \$3,000.00 partly secured, which could be
 3 secured by a second mortgage.

4 MR. KELLY: And any reference to the standard
 5 by-laws -- are these mandatory on the credit unions to
 6 -- as a standard by-law?

7 MR. HALLINAN: Yes, they are.
 8 MR. KELLY: They are. They are mandatory.
 9 MR. HALLINAN: They are by-laws agreed on by

10 the Department of Insurance on our plan, and they have
 11 developed over the years. From time to time, they were
 12 amended in the light of change of traditions.

13 MR. KELLY: But, I mean in effect they, the
 14 credit unions themselves cannot draw up by-laws for
 15 themselves. That is, they are different from the standard

16 by-law. Is that right?
 17 MR. HALLINAN: They permit of certain modifica-
 18 tions of operations, but, by and large they have to

19 go by the standard by-laws.
 20 THE CHAIRMAN: Mr. MacDonald?
 21 MR. MACDONALD: Well, I have only one comment.

22 I regret Mr. White isn't here, because the interesting
 23 thing here is that you get two circumstances which are
 24 the reverse of what we normally have heard. Here you

25 have benefits, such as insurance and charges for -- local
 26 charges and so on, which are free, beyond the 15 per
 27 cent minimum.

28 Secondly, where the interest rate is stated
 29 in the effective rate is really six and a half. Whereas,
 30 usually, we are faced with the problem that the interest



1 at seven, but the effective is 12 or 15 or 18 or 20.

2 All very commendable.

3 MR. HALLINAN: Pardon?

4 MR. MacDonald: All very commendable.

5 THE CHAIRMAN: Mr. Letherby?

6 MR. LETHERBY: Oh I think, Mr. Chairman,
7 it is a very excellent brief; very simplified, and I
8 think it is very, very good.

9 THE CHAIRMAN: Any questions you would like
10 to ask?

11 MR. LETHERBY: No questions.

12 MR. BELANGER: I was going to ask one question:
13 Do you find that as far as application is concerned,
14 purchase of automobiles and so forth?

15 It is increasing considerably.

16 Is that not right

17 MR. HANNINAN: In that one particular field --
18 you mean in automobiles?

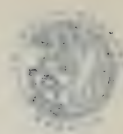
19 MR. BELANGER: Yes. Out of the commercial --
20 you know, the applications for loans to the credit
21 unions, are they increasing today quite a bit,

22
23 more people are going there for the direct purpose to
24 borrow to purchase cars instead of doing it say, through
25 a finance company?

26 MR. HANNINAN: I would suggest that is a fair
27 observation.

28 MR. REILLY: This appendix -- is that for '61
29 or '62?

30 MR. HANNINAN: That would be '62.



1 at seven, but the effective is 12 or 15 or 18 or 20.

2 All very commendable.

3 MR. HANLIN: Pardon?

4 MR. HANLIN: All very commendable.

5 THE CHAIRMAN: Mr. Lathrop?

6 MR. LATHROP: Oh I think, Mr. Chairman,

7 it is a very excellent brief; very simplified, and I

8 think it is very, very good.

9 THE CHAIRMAN: Any questions you would like

10 to ask?

11 MR. LATHROP: No questions.

12 MR. BELMONT: I was going to ask one question:

13 Do you find that as far as application is concerned,

14 purchase of automobiles and so forth?

15 It is increasing considerably.

16 Is that not right?

17 MR. HANLIN: In that one particular field --

18 you mean in automobiles?

19 MR. BELMONT: Yes. Out of the commercial --

20 you know, the applications for loans to the credit

21 unions, are they increasing today quite a bit,

22 more people are going there for the direct purpose to

23 borrow to purchase cars instead of doing it any, through

24 a finance company?

25 MR. HANLIN: I would suggest that is a fair

26 observation.

27 MR. KELLY: This appendix -- is that for '61



1 MR. REILLY: Could I get some background on
2 this, Mr. Chairman, as far as the Ontario Credit Union
3 League is concerned - how many units there are across the
4 Province?

5 MR. HALLINAN: There are approximately 1,450
6 credit unions with a membership of 550,000 persons;
7 combined assets of a major -- just a round figure -- of
8 about \$275,000,000.00.

9 MR. SEDGEWICK: This is the money of your sub-
10 scribers which you lend to your subscribers?

11 MR. HALLINAN: That is true.

12 You see, a credit union, first of all, is
13 organized among a group of people who have a common bond
14 of interest; either appointed or membership in, say, a
15 church or so on. The first basis of a credit union is
16 to encourage the habit of thrift. And that can only be
17 done by encouraging the people to make regular deposits,
18 either by payroll deduction or by voluntary -- coming
19 in every week.

20 Well, from the deposited funds of all the
21 members, there is created a source of credit for any per-
22 son to draw.

23 MR. SEDGEWICK: From those deposited funds, they get
24 the dividends or interest . . .

25 MR. HALLINAN: Well, we like to look upon the
26 more permanent savings of the members as shares, and
27 that --

28 MR. SEDGEWICK: Yes. And what shares do they
29 get -- dividends?

30 MR. HALLINAN: They draw dividends on shares and



MR. REILLY: Could I get some background on

Mr. Chairman, as far as the Ontario Credit Union

League is concerned - how many units there are across the

MR. HALLMAN: There are approximately 1,450

credit unions with a membership of 550,000 persons;

combined assets of a major -- just a round figure -- of

about \$275,000,000.00.

MR. SPOONER: This is the money of your sub-

scribers which you lend to your subscribers?

MR. HALLMAN: That is true.

You see, a credit union, first of all, is

organized among a group of people who have a common bond

of interest; either appointed or membership in, say, a

church or so on. The first basis of a credit union is

to encourage the habit of thrift. And that can only be

done by encouraging the people to make regular deposits,

either by payroll deduction or by voluntary -- coming

in every week.

Well, from the deposited funds of all the

members, there is created a source of credit for any per-

son to draw.

MR. SPOONER: From those deposited funds, they

the dividends or interest . . .

MR. HALLMAN: Well, we like to look upon the

more permanent savings of the members as shares, and

get -- dividends?

MR. HALLMAN: Yes, that is correct.



1 interest on their deposit accounts. There are two types
2 of accounts -- savings accounts in the credit union.

3 MR. SEDGWICK: Well, the man who saves a thous-
4 and dollars. I mean, say that's an average, if there is
5 an average, would be what returns; something like six
6 per cent?

7 MR. HALLINAN: Not quite that high. Usually
8 about four and a half.

9 MR. SEDGWICK: I see.

10 MR. HALLINAN: Of course, it depends on the
11 earnings of the credit union.

12 MR. SEDGWICK: I understand that because they
13 would vary.

14 MR. HALLINAN: That is true.

15 MR. BUKATOR: There is an insurance amount in
16 there too -- if you pay two thousand dollars, then you
17 have that many shares and the principal was to die,
18 your credit union gives the widow two thousand dollars
19 insurance?

20 MR. HALLINAN: That is correct.

21 MR. BUKATOR: On top of the savings that you
22 have, it comes out to four thousand dollars.

23 MR. SEDGWICK: Well, this would be equivalent --

24 MR. BUKATOR:

25 MR. SEDGWICK: -- double the amount

26 MR. HALLINAN: In both cases. You see, we
27 have two contracts with our own insurance company which
28 is owned by credit unions -- Thuna Insurance Society.

29

30 MR. HALLINAN: Life --



1 interest on their deposit accounts. There are two types
2 of accounts -- savings accounts in the credit union.
3 MR. SEDGWICK: Well, the man who saves a thou-
4 sand dollars, I mean, say he has a thousand dollars, is there is
5 an average, would he what returns; something like six
6 per cent?
7 MR. HALLINAN: Well, that's about four and a half.
8 MR. SEDGWICK: I see.
9 MR. HALLINAN: Of course, it depends on the
10 earnings of the credit union.
11 MR. SEDGWICK: I understand that because they
12 have that many shares and the principal was to die,
13 your credit union gives the widow two thousand dollars
14 there too if you pay two thousand dollars, then you
15 have that many shares and the principal was to die,
16 your credit union gives the widow two thousand dollars
17 MR. HALLINAN: That is correct.
18 MR. BUKATOR: On top of the savings that you
19 have, it comes out to four thousand dollars.
20 MR. SEDGWICK: Well, that would be equivalent --
21 MR. SEDGWICK: -- double the amount
22 MR. HALLINAN: In both cases. You see, we
23 have two contracts with our own insurance company which
24 is owned by credit unions --



1 MR. SEDGEWICK: Is that Thuna?

2 MR. HALLINAN: Yes. Life savings insurance
3 in which the savings are doubled up to two thousand
4 dollars, if they are put in before age 55, and a proportion-
5 ate amount between 55 and 70, and the loan protection
6 contract which wipes out the loan in the event of the
7 borrower's death.

8 MR. LAWRENCE: How do you pronounce that
9 S u n a ? T u n a ?

10 MR. HALLINAN: T u n a.

11 MR. LAWRENCE: The head office is in the
12 States somewhere, isn't it?

13 MR. HALLINAN: The head office is in Madison,
14 Wisconsin. The Canadian head office is in Hamilton.

15 Now, right off the bat, I know somebody is
16 going to say, well is this another Yankee outfit?

17 Well, we have got you beat there, because
18 from the time Tuna Mutual opened up business in Canada
19 in 1937, the head office in Madison deposited a hundred
20 thousand dollars with the Canadian Government in Ottawa,
21 and there hasn't been a nickel of Canadian money leave
22 this country. All the premiums are deposited in Canada;
23 all the claims are paid from the -- I think it is the
24 Bank of Montreal that they deal with, and it is all
25 kept right here in Canada. We have our own Canadian
26 Manager. As a matter of fact, it is a Canadian who is
27 the treasurer of the whole society. He is also the
28 comptroller of our League, but there is no conflict of
29 interest.

30 MR. MacDONALD: What size are shares, usually?



MR. STANLEY: Is that true?

MR. HALLMAN: Yes. Life savings insurance

in which the savings are doubled up to two thousand

dollars, if they are put in before age 25, and a proportion

ate amount between 25 and 30, and the loan protection

contract which wipes out the loan in the event of the

MR. LAWRENCE: How do you pronounce that

of course?

MR. LAWRENCE: The head office is in the

States somewhere, isn't it?

MR. HALLMAN: The head office is in Madison,

Wisconsin. The Canadian head office is in Hamilton.

Now, right off the bat, I know somebody is

going to say, well is this another Yankee outfit?

Well, we have got you beat there, because

from the time the Mutual opened up business in Canada

in 1897, the head office in Madison deposited a hundred

thousand dollars with the Canadian Government in Ottawa,

and there hasn't been a nickel of Canadian money leave

this country. All the premiums are deposited in Canada;

all the claims are paid from the -- I think it is the

Bank of Montreal that they deal with, and it is all

kept right here in Canada. We have our own Canadian

manager. As a matter of fact, it is a Canadian who is

the treasurer of the whole society. He is also the

controller of our League, but there is no conflict of

interest.

MR. STANLEY: Is that true?



1 MR. HALLINAN: Usually five dollars.

2 MR. MacDONALD: And this four and a half per
3 cent that you said was the interest paid. Would this
4 become the shares from the deposits or both? What is
5 the relationship there?

6 MR. HALLINAN: Well, they usually pay a fixed
7 interest rate on deposits. What would you say, John --
8 there and a half?

9 MR. BURTON: Three and a half to four.

10 MR. HALLINAN: Three and a half to four.
11 And usually, the dividends on shares average about four
12 and a half per cent throughout the Province.

13 MR. SEDGWICK: Mr. Hallinan, it may be said
14 that you have a great advantage, because you are free
15 from ordinary taxation. But, I take it that the dividends
16 which are paid to your shareholders are subject to
17 ordinary income tax?

18 MR. HALLINAN: That is quite true, sir.

19 MR. SEDGWICK: And the interest?

20 MR. HALLINAN: Yes.

21 MR. SEDGWICK: Yes.

22 MR. HALLINAN: We have to report on the T-5.

23 MR. SEDGWICK: Yes.

24 MR. HALLINAN: To the Department.

25 MR. SEDGWICK: So it could be said that you
26 have an advantage.

27 MR. HALLINAN: They give that . . .

28 MR. SEDGWICK: An advantage in the sense that
29 you don't pay any corporate tax yourselves. But, you
30 do pay ordinary income taxes on what might be called your



usually five dollars.

MR. McDONALD: And this four and a half per

MR. HALLINAN: Well, they usually pay a fixed

MR. BURTON: Three and a half to four.

MR. HALLINAN: That is quite true, sir.

MR. SARANTON: So it could be said that you

...and the other side of the mountain...



1 pay-out. Is that right?

2 MR. HALLINAN: That is right. The money --
3 the dividends and the interest is taxable in the hands
4 of the members.

5 MR. SEDGWICK: The members who receive that?

6 MR. HALLINAN: That is true.

7 MR. REILLY: I think, Mr. Chairman, I might add
8 to Mr. Sedgwick -- I don't believe that those dividends
9 though, in the hands of the recipient are subject to the
10 20 per cent dividend tax credit; is that true?

11 MR. HALLINAN: That is quite correct, sir.

12 MR. SEDGEWICK: They do not get this, eh?

13 MR. IRWIN: In other words, comparing the
14 credit union profits with a corporation that was only
15 making \$35,000.00 or less, there would be a rough
16 equation on the ultimate instance of tax. The corporation
17 earning less than \$35,000.00 would pay a corporate tax,
18 combined provincial and federal of 23 per cent. Then,
19 the dividends paid to the recipient or the shareholders
20 would be subject to a 20 per cent dividend tax credit,
21 which is intended to offset corporate tax.

22 Now, in the case of the credit union, I under-
23 stand that the credit union isn't subject to corporation
24 tax. But, on the other hand, the shareholder is entitled
25 to the 20 per cent tax credit, and I would gather that the
26 net effect is that the corporation tax and combined income
27 tax on the corporate shareholder is 3 per cent; as compared
28 with the credit union.

29 MR. LAWRENCE: Do all Ontario credit unions have
30

is that right?

MR. HALLINAN: That is right. The money --

the dividends and the interest is taxable in the hands

of the members.

MR. SEDGWICK: The members who receive that?

MR. HALLINAN: That is true.

MR. RILEY: I think, Mr. Chairman, I might add

to Mr. Sedgwick -- I don't believe that those dividends

are taxable in the hands of the members who receive them.

MR. HALLINAN: That is quite correct, sir.

MR. SEDGWICK: They do not get this, do they?

MR. RILEY: In other words, concerning the

credit union profits with a corporation that was only

making \$35,000.00 or less, there would be a rough

equation on the ultimate instance of tax. The corporation

earning less than \$35,000.00 would pay a corporate tax,

combined provincial and Federal of 23 per cent. Then,

the dividends paid to the recipient or the shareholders

would be subject to a 20 per cent dividend tax credit,

which is intended to offset corporate tax.

Now, in the case of the credit union, I under-

stand that the credit union isn't subject to corporation

tax. But, on the other hand, the shareholder is entitled

to the 20 per cent tax credit, and I would gather that the

net effect is that the corporation tax and combined income

tax is the same as the combined income tax and combined income

tax is the same as the combined income tax and combined income

MR. LAWRENCE: Do all Ontario credit unions have



1 to belong to the Credit League?

2 MR. HALLINAN: No. It is a purely voluntary
3 Association. But, 95 per cent of the English-speaking
4 credit unions are members of our League. And, the
5 caisse populaire, which is the French-speaking equivalent
6 are members of the Federation (fr.).

7 MR. LAWRENCE: That is the main group
8 I mean, are there others outside the two main groups?

9 MR. HALLINAN: There are two or three larger
10 type unions that aren't in the League; but as I say,
11 95 per cent of those eligible are members.

12 MR. SEDGEWICK: Mr. Hallinan, and as to
13 solvency, are you inter-dependent? That is, if one
14 credit union had a bad experience, would the other
15 credit unions come to the assistance of that unfortunate?

16 MR. HALLINAN: Yes. We have established,
17 just within the past two years, a plan known as the
18 "stabilization fund", and it is set up to do just exactly
19 the type of thing you suggest.

20 MR. SEDGEWICK: So, that if there is a lame
21 duck, the others help him out; is that right?

22 MR. HALLINAN: That is right.

23 MR. REILLY: Is it compulsory though, for these
24 other credit unions to pay into the fund?

25 MR. HALLINAN: No.

26 MR. REILLY: I mean, part and parcel?

27 MR. HALLINAN: It is not compulsory, but it
28 would appear that they will all be in within a very short
29 while.

30 MR. MacDONALD: What is the amount contributed?



1 to belong to the Credit League?

2 MR. HALLIMAN: No. It is a purely voluntary

3 Association. But, 92 per cent of the English-speaking

4 credit unions are members of our League. And, the

5 calase population, which is the French-speaking equivalent

6 are members of the Federation (fr.).

7 MR. LAWRENCE: That is the main group

8 I mean, are there others outside the two main groups?

9 MR. HALLIMAN: There are two or three larger

10 type unions that aren't in the League; but as I say,

11 92 per cent of those eligible are members.

12 MR. SEIGWITZ: Mr. Halliman, and as to

13 solvency, are you inter-dependent? That is, if one

14 credit union had a bad experience, would the other

15 credit unions come to the assistance of that unfortunate?

16 MR. HALLIMAN: Yes. We have established

17 that within the past two years, a plan known as the

18 "Federation Fund", and it is set up to do just exactly

19 the type of thing you suggest.

20 MR. SEIGWITZ: So, that if there is a loan

21 back, the others help him out; is that right?

22 MR. HALLIMAN: That is right.

23 MR. REILLY: Is it compulsory though, for these

24 other credit unions to pay into the fund?

25 MR. HALLIMAN: No.

26 MR. REILLY: I mean, part and parcel?

27 MR. HALLIMAN: It is not compulsory, but it

28 would appear that they will all be in within a very short

29 while.

30 MR. HALLIMAN: I am not sure if the League is not



1 MR. HALLINAN: One half of one per cent of their
2 total assets.

3 MR. REILLY: Mr. Hallinan, have you had
4 occasion to use this fund yet?

5 MR. HALLINAN: Yes we have. We have liquidated
6 six of them this year.

7 I see.

8 MR. SEDGEWICK: And then you do the salvage,
9 do you?

10 MR. HALLINAN: Yes.

11 MR. SEDGEWICK: You take over whatever the
12 debts may be?

13 MR. HALLINAN: That is right.

14 MR. SEDGEWICK: I suppose your overall experience
15 will not be too bad, and in the long run you will salvage
16 maybe 90 per cent?

17 MR. HALLINAN: That is -- oh, yes.

18 I understand that a question was raised about
19 a credit union in London?

20 THE CHAIRMAN: Yes.

21 MR. HALLINAN: Well, I have got good news for
22 you. They joined the stabilization fund as of this
23 morning, and they will be looked after.

24 MR. SEDGEWICK: So everyone will be paid . . .
committee

25 MR. LAWRENCE: The/ may have been producing
26 results already.

27 (Laughter.)

28 MR. MacDONALD: You mean they could join
29 following their getting into difficulty?

30 MR. HALLINAN: In that particular case we made



MR. HALLINAN: One half of one per cent of their

MR. WELLS: Mr. Hallinan, have you had

occasion to use this fund yet?

MR. HALLINAN: Yes we have. We have liquidated

I see.

MR. SEDGWICK: And then you do the salvage,

MR. SEDGWICK: You take over whatever the

debts may be?

MR. HALLINAN: That is right.

MR. SEDGWICK: I suppose your overall experience

will not be too bad, and in the long run you will salvage

maybe 90 per cent?

MR. HALLINAN: That is -- oh, yes.

I understand that a question was raised about

a credit union in London?

THE CHAIRMAN: Yes.

MR. HALLINAN: Well, I have got good news for

you. They joined the stabilization fund as of this

morning, and they will be looked after.

MR. SEDGWICK: So everyone will be paid . . .

MR. SEDGWICK: They may have been producing

results already.

(Laughter.)

MR. HALLINAN: You mean they could join

without being getting into difficulty?

MR. HALLINAN: In that connection, yes.



1 an exception, because the fund -- in certain credit unions
2 we thought we were going to have a loss. We found
3 collecting the outstandings then the fund started to make
4 money, and we used that bumper to take care of it.

5 MR. SEDGEWICK: Also, you do have a cushion, do
6 you, an overall cushion?

7 MR. HALLINAN: Yes.

8 MR. BELANGER: What procedure would you
9 follow when you have an application of say -- say a
10 firm wants to establish a credit union there, in that
11 firm, you see, in their organization. Then, they must
12 make an application

13 MR. HALLINAN: Yes. If they are applying to
14 us for assistance in organizing a credit union, we have
15 specialists in the field of organization. We go down and
16 we explain the entire setup to the management and the
17 employees; prepare the necessary papers; the memorandum
18 to the Association and the other documents which go with
19 it, and it is submitted to the Provincial Secretary who,
20 in turn, clears it with the Department of Insurance. Then,
21 the charter is granted, and then our professional staff
22 go in and help them establish their accounting systems
23 and so on.

24 I see you take

25 MR. BELANGER: How do you following it after-
26 wards; I mean, to see whether it is going to be solvent
27 or not, or you are going to be . . .

28 MR. HALLINAN: Well, we have our League
29 representatives who are qualified in the field as
30 accountants. We regularly inspect them. Working with



1 an exception, because the fund -- in certain credit unions
2 we thought we were going to have a loss. We found
3 collecting the outstanding then the fund started to make
4 money, and we used that money to take care of it.

5 MR. SHINGWICK: Also, you do have a cushion, do
6 you, an overall cushion?

7 MR. HALLMAN: Yes.

8 MR. HALLMAN: What procedure would you

9 follow when you have an application of say -- say a

10 firm wants to establish a credit union there, in that

11 firm, you need, in their organization. Then, they must

12 make an application

13 MR. HALLMAN: Yes. If they are applying to

14 as for assistance in organizing a credit union, we have

15 specialists in the field of organization. We go down and

16 we explain the entire setup to the management and the

17 employees; prepare the necessary papers; the memorandum

18 on the organization and the financial statement and so forth

19 and then we submit them to the Federal Reserve Bank

20 for their review. If they are approved, then

21 the charter is granted, and then our professional staff

22 go in and help them establish their accounting systems

23 I see you take

24 MR. HALLMAN: How do you follow it after-

25 having a charter and then you have to go to the Federal

26 Reserve Bank and get the money to start the union

27 MR. HALLMAN: Well, we have our League

28 representatives who are qualified in the field as

29 representatives, we represent the credit unions



1 the Department of Insurance, every credit union is
2 examined or inspected at least once every year. Once
3 by us, and then the alternative year by the Department of
4 Insurance. Then, in the meantime, if a credit union
5 feels that it is getting into difficulty, they can always
6 contact us, and we have met all over the Province. We
7 have met in the Lakehead, Sudbury, Ottawa, Windsor, Hamilton,
8 Kitchener, and so on. And, they go right in and correct
9 the system.

10 MR. REILLY: What do they pay you as a member
11 of the Credit Union League?

12 MR. HALLINAN: Each credit union pays us one
13 dollar per year for every member over the age of 18,
14 as outlined in The Credit Unions Act. Section 53 of the
15 Act -- The Credit Unions Act.

16 MR. LAWRENCE: When Mr. Jaffray was here
17 the other day, we thought -- there was a suggestion which,
18 I regret it was not by me, but that first of all, your
19 reserve fund -- I mean, in a declining economy
20 which I don't think we are into yet. Perhaps it is
21 not as great as it should be for the individual credit
22 union; and secondly, that there wasn't enough supervision
23 or, that that matter even help, in the way of investment
24 for the individual credit union in the investment field.
25 But, largely the investments for these people have got
26 in the hands of inexperienced people, and this, in turn,
27 is going to lead to trouble in the future. I am just
28 bringing this out to you. It is perhaps unfortunate
29 that we didn't have you people here the same day we
30 had Mr. Jaffray, or vice-versa, so that we could . . .



1 But, I didn't know whether these thoughts had been
2 expressed to you or not, and I thought you might have
3 some comment on it. What about the reserve fund in the
4 Act -- what do they put it -- 20 per cent?

5 MR. HALLINAN: 20 per cent, of the net earnings
6 in the guarantee fund.

7 In many cases it is adequate. In some cases
8 it may not be adequate, but it is building up each year.

9 Now, I can't go along with the suggestion that
10 they are all amateurs that don't know much about financing.
11 I was at a meeting a week ago -- the Steel Company of
12 Canada has a credit union called "STELCO Hamilton Works",
13 which will be celebrating its 25th anniversary next
14 year. It has 9,000 members and \$12,000,000.00 in assets.
15 It was started, and carried ^{on} /by a group of ordinary steel
16 workers. Of course, now, it has a professional staff;
17 it has its own building. But, as a credit union progresses,
18 and it employs full-time personnel, they are just as
19 qualified in their field as the staff in any other
20 financial institution.

21 MR. REILLY: What was the difficulty with
22 the six firms -- six unions that had to be liquidated?

23 MR. HALLINAN: It was nothing in the financial
24 way; it happened that six companies just folded up or
25 moved out of the area.

26 MR. REILLY: So they just discontinued
27 operations at this point, did they?

28 MR. HALLINAN: That is right, the basic
29 loan of the Prime Bond Association had
30 dissipated, you see, when the employer moved out. And, I



But, I didn't know whether these thoughts had been

some comment on it. What about the reserve fund in the

Act -- what do they put it -- 20 per cent?

MR. HALLINAN: 20 per cent, of the net earnings

In many cases it is adequate. In some cases

it may not be adequate, but it is building up each year.

Now, I don't go along with the suggestion that

they are all amateurs that don't know much about financing

I was at a meeting a week ago -- the Steel Company of

year. It has 9,000 members and \$12,000,000 in assets.

It was started, and operated by a group of ordinary steel

workers. Of course, now, it has a professional staff;

it has the own building. But, as a credit union progressed,

and its employees full-time personnel, they are just as

qualified in their field as a staff in any other

financial institution.

What was the difficulty with

the six firms -- six firms that had to be liquidated?

MR. HALLINAN: It was not in the financial

MR. KELLY: So they had discontinued

operations at this point, did they?

MR. HALLINAN: That is right, the basic

Steel Bond Association had



1 might point out that in every case they were paid a hundred
2 cents on the dollar.

3 MR. LAWRENCE: One other difficulty that was
4 -- mention was made the other day that these are not ---
5 I have no personal knowledge --- anything I have had to
6 do with a credit union has been
7 a very wonderful experience as far as the people I have
8 been acting for. But, the thought was expressed that
9 the danger of -- perhaps if a sharp operator came into
10 the credit union field again, and there becomes sort of
11 curtailment of membership -- new memberships. So that
12 eventually, you get the thing down to a small number of
13 individuals, and then the thought was expressed: Bang --
14 then they cut the line.

15
16 Is this possible, under the standard by-laws,
17 for a curtailment of memberships so that this is possible?

18 MR. HALLINAN: Strictly speaking, no. Any
19 person that qualifies for membership gets it.

20 MR. LAWRENCE: Well, I think that this came
21 from Mr. Jaffray, if I am not mistaken, that this was
22 a danger that the Department was looking into.

23 MR. HALLINAN: But, I don't think that there
24 is any real danger.

25 MR. LAWRENCE: You have no knowledge of anything
26 like this going on, or any

27 MR. HALLINAN: No.

28 MR. BURTON: I wonder, Mr. Chairman, if I
29 could mention one or two more points that have
30 been raised. Regarding the possibility -- the adequacy



at that point out that in every case that was held a hearing

MR. TOLSON: Now, I think I should like to ask you

-- mention was made the other day that these are not

I have no personal knowledge now, saying I have had

been acting for him, the thought was expressed that

the danger of -- perhaps it is a sharp operation, one of

the credit union field again, and there perhaps sort of

entailment of membership -- now membership, it was

eventually, you get the thing over to a small number of

individuals, and then the thought was expressed that --

then over and the line.

In this parallel, under the standard by-law,

for a continuance of membership so that when in decision

MR. HALLMAN: Absolutely speaking, no, I am

person that qualifies for membership gets it.

MR. TOLSON: Well, I think that this comes

from Mr. Jeffery. I am not mistaken, now, this was

a danger that the Department was looking for.

MR. HALLMAN: Now, I don't know that there

is any real danger.

MR. TOLSON: You have no knowledge of anything

like this going on, or any

MR. HALLMAN: No.

MR. TOLSON: I wonder, Mr. Hallman, if

could mention one or two more points that have

been raised. Regarding the possibility of the economy



1 of reserves, this certainly isn't true by any means.

2 There are more than 40 credit unions
3 in the Province with assets of more than a million dollars.
4 Almost all of them have much bigger reserves than they
5 would have if they were private corporations. For
6 instance, the largest is the Hydro, ECTO, which
7 has \$13,000,000.00 in assets.

8 MR. LAWRENCE: How much?

9 MR. BURTON: \$13,000,000.00. And they have
10 a guarantee fund, well in excess of half a million
11 dollars, because they have been putting in 20 per cent
12 of their net profits, ever since incorporation. And,
13 their write-off experience is very, very small. They write
14 off nearly \$1,500.00 put about anything up to
15 \$100,000.00 into the
16 guarantee fund each year for the last two or three years.
17 And, if there was a recession, some smaller credit unions might
18 find it difficult to, but the big ones built up such large
19 reserves; legislative spending to reduce the transverse
20 guarantees fund.

21
22 MR. LAWRENCE: Well, of course, Mr. Burton
23 our job as legislators is not to look after the people
24 who are well qualified to look after themselves. The
25 dangerous position is a very small minority in every field.

26
27 MR. BURTON: Well, yes, indeed.
28
29
30



2 There are some that I should mention
 3 in the Province with regard to some of the things that
 4 I have said of them have been raised in the past
 5 would have to they have been raised in the past
 6 last year, but I have not in the past.

7
 8 MR. LAWRENCE: Now would
 9 MR. LAWRENCE: \$15,000,000. And now what
 10 a reasonable thing, well, in money, I think
 11 dollars, because that is the way that it is
 12 of that and would be a very good thing. And
 13 their position is very, very good. The money
 14 off nearly \$15,000,000 and about the same of it
 15
 16 I think it is a very good thing. And
 17 I think it is a very good thing. And
 18 And, in there was a reasonable, not smaller, not larger.
 19 I think it is a very good thing, but the big thing is to get it
 20 and to get it in a very good way.

21
 22 MR. LAWRENCE: Well, of course, Mr. Brown
 23 one for an legislator in not to look after the people
 24 who are well qualified to look after themselves. The
 25 dangerous position is a very good thing. I think it is a very good thing.
 26
 27 MR. LAWRENCE: Well, I think it is a very good thing.



1 MR. LAWRENCE: With your stabilization fund
2 being completely voluntary though, isn't the tendency
3 going to be that the ones that have the need of
4 trouble-shooters or the need of the stabilization fund
5 aren't going to have anything to do with it?

6 MR. BURTON: No, quite the reverse.

7
8
9 MR. HALLINAN: The reverse is true. There
10 are two -- one that you mentioned -- another large
11 credit union in the city, or not in the city. But, the
12 ones that could anticipate trouble were among the first
13 to join.

14 MR. MacDONALD: To give you that
15 protection now.

16 MR. LAWRENCE: Well, why not make it compulsory?

17 MR. HALLINAN: Well, we in a democracy don't
18 like to consult people in gentle persuasion

19
20 MR. SEDGWICK: Mr. Hallinan, I am looking at
21 page 4 in your brief, and I see that you have taken
22 assignment of wages as a security. In your particular
23 case there is the unique employer-employee relation.

24 MR. HALLINAN: We have met with a little in
25 the odd place. But . . .

26 MR. SEDGWICK: By assignment of wages, do you
27 mean that the pro rata amount of the debt is deducted
28 by the employer weekly or monthly, and then paid to the
29 union?

30 MR. HALLINAN: Yes.



going to be that the ones that have the most of
 trouble-shooters on the head of the credit nation that
 aren't going to have anything to do with it.
 MR. TAYLOR: No, quite the reverse.

MR. HARRISON: The reverse is true. There

are two -- one that you mentioned -- another large
 credit nation in the city, and in the city, but, the
 ones that could anticipate trouble were among the first
 to join.

MR. MACDONALD: To give you that

MR. TAYLOR: Well, why not make it confidential?

Like to contact people in gentle conversation.

MR. TAYLOR: Mr. Harrison, I am looking at

page 4 in your report, and I see that you have an
 assignment of wages as a security. In your testimony
 case there is the matter of employment of one relation
 MR. HARRISON: We have not been a little in

MR. TAYLOR: Do assignment of wages, do you

mean that the amount of the debt is secured
 by the assignment of wages, and then paid to the

MR. HARRISON: Yes.



1 MR. SEDGWICK: So that it is like an income
2 tax deduction?

3 MR. HALLINAN: That right.

4 MR. SEDGWICK: And of course purely voluntary
5 on the part of the employer? He doesn't have to do it.

6 MR. HALLINAN: Oh yes. There is a law covering
7 that --

8 MR. SEDGWICK: Oh, is there?

9 MR. HALLINAN: Yes.

10 MR. SEDGWICK: Oh I see, under the credit union.

11 MR. HALLINAN: Under The Wages Act, Mr.

12 MacDonald. If we file the assignment with it.

13 MR. SEDGEWICK: And you do that regularly.

14
15 MR. HALLINAN: No. The only time we ever file
16 an assignment with the employer, is when the loan becomes
17 seriously delinquent and the borrower is making no attempt
18 to straighten it out.

19 MR. SEDGEWICK: Do you file any assignment
20 of wages in connection with the copy

21
22 MR. HALLINAN: No. No, no. They can assign a
23 ~~deduction~~ payroll deduction, for they voluntarily
24 instruct the employer to take off extra.

25 MR. SEDGWICK: And then the employer, as a
26 matter of grace deducts this payment to you.

27 MR. HALLINAN: Yes. That is precisely correct.

28 MR. LAWRENCE: I am sorry, Mr. Burton,
29 I interrupted you there, when you were going to . . .

30 MR. SEDGWICK: I am afraid I did too.



MR. HALLMAN: So that it is like an income

tax deduction

MR. HALLMAN: That right

MR. STEVENSON: And of course purely voluntary

on the part of the employer? He doesn't have to do it.

MR. HALLMAN: Oh yes. There is a law covering

that --

MR. HALLMAN: Yes

MR. HALLMAN: Under the Income Act, Mr.

Macdonald. If we file the assignment with it.

MR. STEVENSON: And you do that regularly

MR. HALLMAN: No. The only time we ever file

an assignment with the employer, is when the loan becomes

seriously delinquent and the borrower is making no attempt

to redeem it.

MR. STEVENSON: Do you file any assignment

of wages in connection with the copy

MR. HALLMAN: No, no. They can sue on a

personal liability, for they can sue on a

contract the employer to make out a note.

MR. STEVENSON: And then the employer, as a

matter of grace deducts the payment to you.

MR. HALLMAN: Yes. That is precisely correct.

I interrupted you there, when you were going to . . .

MR. STEVENSON: I am afraid I did.



1 MR. BURTON: Mr. Sedgwick, Mr. Hallinan. I
2 think you did raise the point about some people
3 not being in offices qualified in the field of
4 investment.

5 Did you mean investment outside the
6 credit union?

7 MR. LAWRENCE:
8 Well, this is a suggestion made that this,
9 basically, is the trouble of this lending money

10 MR. BURTON: Generally, generally speaking, yes.

11 MR. LAWRENCE:
12 I don't know whether it was said publicly here or not,
13 but privately it was said.

14 MR. BURTON: Well, generally speaking, this
15 isn't important in the majority of credit unions, because
16 our statistics show that almost 100 per cent of the money
17 which a great many members put into their credit unions is out
18 on loan.

19 MR. SEDGEWICK: That is to their own members?

20 MR. BURTON: Yes.

21 MR. SEDGEWICK: And then, I suppose they buy
22 by short term money, as a rule; do they?

23 MR. BURTON:
24 Yes. Mainly by depositing in the League. The League has
25 a central fund, and . . .

26 MR. SEDGEWICK: Oh I see, I see.

27 MR. BURTON: . . . the bulk of the short-term
28 surpluses go into relief funds.

29 MR. SEDGEWICK: Then it gives them whatever
30 short-term money is worth, almost demand money; is that
31 right?



MR. BURNETT: Mr. Sedgewick, Mr. Wallman.

which you did raise the point about some people
not being in the field of investment.
Did you mean investment outside the

credit market?
MR. SEDGWICK:

partially, is the trouble of this lending money

MR. BURNETT: Generally, generally speaking, was

MR. SEDGWICK:

I don't know whether it was said publicly here or not,
but privately it was said.

MR. BURNETT: Well, generally speaking, this

isn't important in the majority of credit unions, because
our statistics show that almost 100 per cent of the money

which a great many members put into their credit unions is
on loan.

MR. SEDGWICK: That is to their own members.

MR. SEDGWICK: And then, I suppose they pay

by about term money, as a rule, do they?

Yes, mainly by depositing in the Treasury. The Treasury has
a central fund, and

MR. SEDGWICK: Or I see, I see.

MR. BURNETT: . . . the bulk of the short-term

surpluses are now being used

MR. SEDGWICK: Then it gives them whatever

short-term money is wanted, almost demand money, is that



1 MR. BURTON: Yes.

2 So, there are very few places
3 that need to --- there are none that need to turn to out-
4 side investments,

5 but a few of them do. And generally, they are the ones
6 that are qualified to do it. They have a qualified . . .

7 MR. IRWIN: What restrictions are there
8 in dealing in outside investments?

9 MR. HALLINAN: Basically, they are governed
10 by the same regulations that govern the joint -- the
11 investments by joint stock insurance companies. Now,
12 you gentlemen, as, of course you will
13 appreciate that it is a very complicated section of the
14 brokerage . . .

15 MR. SEDGEWICK: There is a certain amount of
16 equity and so forth?

17 MR. HALLINAN: That is right. And, they had
18 to pay the dividend for X number of --

19 MR. SEDGEWICK: Yes, I know, seven years.

20 MR. HALLINAN: Yes.

21 MR. BURTON: There is one exception of the
22 printing is not allowed to purchase multiliths.

23 MR. SEDGEWICK: I see.

24 They can lend their own to
25 their members, but they can't purchase multiliths.

26 MR. SEDGEWICK: If you take a second mortgage,
27 you do like a bank. You only take it as additional
28 security; is that right?

29 MR. HALLINAN: Yes, that is right.

30 MR. SEDGEWICK: It is almost precisely the position
of a bank, at the moment.



...there are very few places
that need to be done and need to be done in one
state investment.

but a few of them do, and generally, they are the ones
that are qualified to do it. They have a qualified
MR. THOMAS: What responsibilities are there

in dealing in outside investments?

MR. HALL: Practically, they are governed
by the same regulations that govern the joint -- the
investment by joint stock insurance companies. Now,
you gentlemen, of course you will
appreciate that it is a very complicated question of the
proportion.

There is a certain amount of
equity and so forth?

MR. HALL: That is right. And they have
to pay the dividend for X number of --

MR. SUDWORTH: Yes, I know, seven years.

MR. HALL: Yes.

MR. BROWN: There is one exception of the
printing is not allowed to purchase securities.

MR. SUDWORTH: I see.

They can lend their own to

their members, and they can purchase securities.

MR. SUDWORTH: If you take a second mortgage

You do like a bank. You only take it as additional

security, is that right?

MR. HALL: Yes, that is right.

MR. SUDWORTH: It is similar to precisely the position

of a bank, at the moment.



1 MR. MacDONALD: What series of duplication
2 is there in your 550,000 members in the sense of a
3 member being a member of a number of credit unions.
4 I have been rather curious about this point. Is it
5 significant?

6 MR. HALLINAN: I wouldn't think so, although,
7 let's face it. There are, I know many cases where there
8 is duplication, and it would be rather hard for us to
9 find out. In other words, if a man could be a member
10 of a credit union where he works and also a member of a
11 church credit union.

12 THE CHAIRMAN: There wouldn't be any
13 particular objection to that, would there?

14 MR. SEDGEWICK: There is no harm

15
16
17 five baskets all in one

18 MR. HALLINAN: It's an advantage from an
19 insurance point of view, because if he has two thousand
20 in different credit unions, and those credit unions
21 carry that insurance, well then he gets the benefit.

22 I know one chap who -- in fact, he is a
23 director of ours -- a few years ago, he was a member
24 of five credit unions. And it was legitimate, he started
25 off in the Civil Service, and once you are a member,
26 you may continue membership at the discretion of the Board.
27 When he died, his wife got \$10,000.00 in additional
28 insurance.

29

30



your series of duplications

is there in your 250,000 members in the sense of a

series of duplications in the sense of a

series of duplications in the sense of a

significant?

let's face it. There was. I know many cases where there

is duplication, and it would be rather hard for us to

find out. In other words, it is not as a member of a

of a credit union where he works and also a member of a

credit union.

THE CHAIRMAN: There wouldn't be any

particular objection to these would there?

MR. BEDFORD: There is no harm

have banks all in one

MR. HALL: It's an advantage from an

insurance point of view, because if he has two thousand

in different credit unions, and those credit unions

carry that insurance, well then he gets the benefit.

I know one chap who -- in fact, he is a

director of ours -- a few years ago, he was a member

of five credit unions. And he was legitimate, he started

off in the Civil Service, and once you are a member,

you may continue membership at the discretion of the Board.

When he died, his wife got \$10,000.00 in additional

insurance.



1 THE CHAIRMAN: Mr. Irwin has a question?

2 MR. IRWIN: I wanted to ask several questions
3 which has^{ve} aroused my curiosity. In the credit unions --
4 that is, we are dealing with lending as opposed to
5 operating grocery stores or things like that, is the
6 dividend based on patronage in the sense that the
7 dividend would be paid by formula on the shares plus
8 the deposit, plus, let's say the loans that that person
9 might have with a credit union? In other words, does
10 a person -- a member of a credit union who also is
11 borrowing from the credit union, does he participate in
12 the dividends by reason of his borrowing?

13 In other words, is there a patronage

14 MR. HALLINAN: Well, the dividends are based
15 on his savings, only.

16 But, he may get a rebate on the interest he
17 has paid on his loan. You mentioned that the average
18 rebate on a loan is 16 per cent. So, for every dollar
19 of interest he paid during that fiscal year, he would
20 receive in return .16¢.

21 MR. IRWIN: His participation as a borrower
22 is at the discretion, I presume, of the directors of the
23 credit union. It isn't -- but, his participation as a
24 shareholder is automatic; is that right?

25 MR. HALLINAN: No. Both things have to be
26 approved by the general membership upon the recommendation
27 of the Board of Directors.

28 In other words, the Board of Directors would
29 come into the annual meeting and say "We recommend that
30 a dividend of four per cent be paid on all shares out-



THE CHAIRMAN: Mr. Twinn has a question?

MR. TWINN: I wanted to ask several questions

which had to do with the credit union --

that is, we are dealing with lending as opposed to

operating grocery stores or things like that, is the

dividend based on percentage in the same way that the

dividend would be paid by formula on the basis plus

the deposit, plus, let's say, one item that that person

might have with a credit union. In other words, does

a person -- a member of a credit union who also is

borrowing from the credit union, does he participate in

the dividends by reason of his borrowing?

In other words, is there a privilege

MR. HALLIWELL: Well, the dividends are based

on his savings, only.

But, he may get a rebate on the interest he

has paid on his loan. You mentioned that the average

rebate on a loan is 10 per cent. So, for every dollar

of interest he paid during that fiscal year, he would

receive in return, 10¢.

MR. TWINN: His participation as a borrower

is at the discretion, I presume, of the directors of the

credit union. Is that -- but, his participation as a

shareholder is automatic, is that right?

THE CHAIRMAN: Yes, that is correct.

Approved by the Board of Directors

of the Board of Directors

In other words, the Board of Directors would

into the annual meeting and say "We recommend that

a dividend of 10 per cent be paid on all savings



1 standing as of such a date, provided a like amount be
2 paid for a period of time during which they were paid
3 up; and a rebate of X per cent be paid on interest."

4 MR. SEDGEWICK: That is to all people who
5 have paid interest?

6 MR. HALLINAN: That is true.

7 MR. SEDGEWICK: They would get a rebate
8 of so much, so that the profits, whatever they may be
9 are split between the person qua shareholder and the
10 person --- it could be more than the same person --- qua
11 borrower.

12 MR. HALLINAN: That is true. In other words,
13 we feel that the person who helps create the profits
14 should share them. And, that the person who set up the
15 capital is entitled to a fair return.

16 In other words, we are trying to get a perfectly
17 balanced scale and treat everybody justly.

18 MR. IRWIN: I am not entirely clear --
19 I understand what you said, but there is an implication
20 here that I would like to pursue. Presumably, credit
21 unions must distribute their earnings, because they are
22 not a profit organization.

23 MR. HALLINAN: Well, there is no law that says
24 they can't be.

25 MR. IRWIN: Well, that's why I wanted
26 to find out. There isn't, eh?

27 MR. HALLINAN: No.

28 MR. IRWIN: In other words, it is
29 possible, following the line of thought which Mr. Lawrence
30 raised that perhaps more by accident than design, if a



standing as of such a date, provided a like amount be paid for a period of time during which they were paid; and a rebate of X per cent be paid on interest."

MR. STEWART: That is to all people who have paid interest?

MR. HALL: That is correct.

MR. STEWART: They would get a rebate of so much, so that the price, whatever they pay, be the split between the person who shareholder and the person -- it could be more than two same person -- one borrower.

MR. HALL: That is true. In other words, we feel that the person who helps create the profits should share them. And, that the person who set up the capital is entitled to a fair return.

In other words, we are trying to get a percentage of interest and that everything fairly.

MR. STEWART: I am not entirely clear -- I understand what you said, but there is an implication here that I would like to know. Presumably, credit unions must distribute their earnings, because they are not a profit organization.

MR. HALL: We do, there is no law that says they can't be.

MR. STEWART: Well, that's why I wanted to find out. There isn't any?

MR. HALL: No. MR. TRACY: In other words, it is

possible, following the line of thought which Mr. Stewart raised that perhaps more by accident than design, it is



1 board of directors of a credit union elected, over a
2 term of years to not pay out the profits; and then,
3 by chance, the credit union that started out with a
4 thousand members after the passage of 25 years ended
5 up with a hundred members, then those people might find
6 it to their advantage to divide the whole thing up;
7 thereby cutting out all of the borrowers and all the
8 depositers in the meantime.

9 MR. HALLINAN: Yes, but you are overlooking
10 one thing: that a credit union is bound by its by-laws
11 to hold an annual meeting, and I couldn't conceive of
12 any board of directors convincing an annual meeting to
13 put the money that these people made for and by themselves
14 in any other way than distribution.

15 MR. IRWIN: Well, I am now -- at least
16 my line of questioning is answering, but I do wonder
17 whether this isn't altogether a matter that should be
18 left entirely to the discretion of the shareholders from
19 time to time of the credit union. I am quite amazed
20 to discover that there isn't any actual direction in
21 the legislation and to when and how at least a minimum
22 distribution should take place.

23 MR. HALLINAN: Well, I think the thing auto-
24 matically takes care of itself.

25 MR. IRWIN: Well, there is --

26 MR. HALLINAN: I mean the members at an
27 annual meeting -- any annual meeting I have attended,
28 and I have attended hundreds in the last 16 years --
29 the most interesting part of the thing, outside of the
30 election of the directors is "how they are going to slice



board of directors of a credit union elected, over a
term of years to not pay out the profits; and then,
by chance, the credit union that started out with a
thousand members after the passage of 20 years ended
up with a hundred members, then these people might find
it to their advantage to divide the whole thing up;
thereby cutting out all of the network and all the
deposits in the meantime.

MR. HALLAM: Yes, but you are overlooking
one thing: that a credit union is bound by law
to hold an annual meeting, and I couldn't conceive of
any board of directors conducting an annual meeting to
put the money that these people made for themselves
in any other way than distribution.

MR. HALLAM: Well, I am now -- at least

my line of questioning is answering, but I do wonder
whether this isn't altogether a matter that should be
left entirely to the discretion of the shareholders from
time to time of the credit union. I am quite anxious
to discover that there isn't any actual direction in
the legislation and to when and how at least a minimum
distribution should take place.

MR. HALLAM: Well, I think the thing auto-

matically takes care of itself.

MR. IRWIN: Well, there is --

MR. HALLAM: I mean the members at an

annual meeting -- any annual meeting I have attended,
and I have attended hundreds in the last 10 years --
the most interesting part of the thing, outside of the



1 the melon." I mean, the fellows that are doing all the
2 saving -- they say, well, let's cut the rebate down,
3 and the fellows that are doing all the borrowing, they
4 say, well, let's lower the dividend and raise the rebate.
5 It makes very interesting discussion.

6 MR. IRWIN: A further question then, along
7 that line -- would it be possible for a person to borrow
8 from a credit union without being a member of a credit
9 union?

10 MR. HALLINAN: No. You have to be a member.

11 MR. IRWIN: So that any borrower then, has a
12 vote at the annual meeting, as a member.

13 MR. HALLINAN: Yes, that is true.

14 MR. IRWIN: While I just passed that comment
15 along, I am --

16 MR. LAWRENCE: Yes. It doesn't take you very
17 much. The moment you buy a share, you can go out and
18 borrow, or make your application to borrow, and then
19 it goes before the board of directors, and then they see
20 whether you are a good risk.

21 MR. HALLINAN: In fact, you don't even have to
22 buy a full share. You pay your entrance fee of .25¢,
23 and at least the first instalment on the share; your
24 membership is accepted by the board of directors; and
25 then you go to see the credit committee about a little
26 accommodation.

27 MR. IRWIN: This is hardly facetious,
28 but it does leave the possibility of a person telegraphing
29 their interests and joining every credit union in
30 Ontario, and then waiting to see what happens -- like the
Ton-ti.



the nation." I mean, the fellows that are doing all the
saying -- they say, well, let's cut the deficit down,
and the fellows that are doing all the borrowing, they

It makes very interesting discussion.

MR. TINKER: I'd rather question them, along

that line -- would it be possible for a person to borrow
from a credit union without being a member of a credit

union?

MR. HALLMAN: No, you have to be a member.

MR. TINKER: Is that any answer? They, has a

vote at the annual meeting, as a member.

MR. TINKER: Yes, that's all right.

MR. TINKER: While I just passed that comment

along, I am --

MR. LAWRENCE: Yes, it doesn't make you very

much. The moment you buy a share, you can go out and

borrow, or make your application to borrow, and then

it goes before the board of directors, and when they say

whether you are a good risk.

MR. HALLMAN: In fact, you don't even have to

buy a full share. You pay your entrance fee of \$25.

and at least the first shareholder in the share; your

membership is accepted by the board of directors; and

then you go to see the credit committee about a little

accommodation.

MR. TINKER: This is hardly practical.

but it does leave the possibility of a person telephoning

their friends and joining every credit union in

the country, and then waiting to see what happens -- like the



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

MR. HALLINAN: Well, no. First of all, you have to qualify through the primary bond of association -- either through appointment . . .

MR. SEDGEWICK: You have to be a member of the group.

MR. HALLINAN: That is right.
whatever it is.

MR. HALLINAN: That is true.

MR. SEDGEWICK: So, while you may be a member of three or four groups, you couldn't be a member of a hundred.

MR. HALLINAN: No. And then, on the other hand too, when you make an application for a loan, if they use our standard loan forms, you have to indicate your indebtedness to any other agency.

MR. MacDONALD: What are the requirements under the Act of Reserves. I am sure it is an exploring point Mr. Irwin has just raised. If I interpret your answer correctly, there is no requirement, other than what the annual meeting may delegate, in terms of distributing undistributed reserves. But, what are the specific requirements for reserves, beyond which they can go, if the membership permits it?

THE CHAIRMAN: Ten per cent of interest.

MR. HALLINAN: "Every credit union shall set aside at least 20 per cent of its yearly net profits as a guarantee fund to meet losses, and the fund shall be held as a reserve against uncollectable loans and losses.



MR. HALLMAN: Well, no. First of all, you
have to qualify through the primary bond of association
-- either through appointment . . .

MR. HALLMAN: You have to be a member

of the group.

MR. HALLMAN: That is right.

Whatever it is.

MR. HALLMAN: That is true.

MR. HALLMAN:

three or four groups, you couldn't be a member of a

MR. HALLMAN: No. And then, on the other hand

you, when you make an application for a loan, in that

use our standard loan forms, you have to indicate your

indebtedness to any other agency.

MR. HALLMAN: What are the requirements

under the Act of Reserves. I am sure it is an excellent

point Mr. Smith has just raised. If I interpret your

answer correctly, there is no requirement, other than

what the annual meeting may decide, in terms of

distributing undistributed reserves. But, what are the

specific requirements for reserves beyond which they

can get at the membership permits the

THE CHAIRMAN: Ten per cent of interest.

MR. HALLMAN: "Very credit union should set and

at least 20 per cent of its yearly net profits as a

trustee fund to meet losses, and the fund shall be

used as a reserve against uncollectible loans and losses



1 But, where at the close of any fiscal year, the amount
2 set aside for the guarantee fund equals at least 10
3 per cent of the total amount received for members on
4 deposit as payment for shares, the directors may,
5 subject to the approval of two-thirds of the members
6 present at the annual meeting, direct that no monies
7 be set aside for the guarantee fund for the ten current
8 year."

9 It is Section 28 of The Credit Unions Act.

10 Does that answer your question?

11 MR. MacDONALD: But beyond that, there is no other
12 requirement for reserves?

13 MR. HALLINAN: No.

14 MR. LAWRENCE: But everything over that
15 20 per cent of the net profit, which again is a very
16 nebulous thing, I gather -- can be divided up into a
17 form of dividends . . .

18 MR. HALLINAN: Dividends and rebates.

19 MR. LAWRENCE: . . . every year.

20 MR. HALLINAN: That is right.

21 MR. MacDONALD: What was the legislation
22 in contemplation of what Mr. Burton referred to a
23 moment ago?

24 MR. HALLINAN: The legislation is basically
25 this: that where a credit union, and he used the
26 example of Hepco where their fund is away up, and
27 the write-off is negligible; that the credit union may
28 petition the Superintendent of Insurance to relieve it
29 in any given year, out of . . . a month.

30 Now, the credit union, at an annual meeting,



But, where at the close of any fiscal year, the amount
 set aside for the guarantee fund again at least 10
 per cent of the total amount received for returns on
 deposit as payment for shares, the directors may,
 subject to the approval of two-thirds of the directors
 present at the annual meeting, direct that no amount
 be set aside for the guarantee fund for the following
 year."

is in Section 26 of the Credit Union Act,
 does that answer your question?

MR. McDONNELL: But second that, there is no other
 requirement for reserve

MR. LAMBERT: But everything over that
 20 per cent of the net profit, which again is a very
 nebulous thing, I gather -- can be divided up into a
 form of dividend.

MR. WILLIAMS: Incorporated and related.
 MR. LAMBERT: Every year.
 MR. WILLIAMS: That is right.

MR. McDONNELL: What was the intention
 to contemplation of what the Board referred to a
 moment ago?

MR. LAMBERT: The legislation is basically
 that there should be a credit union and he used the
 example of the example of the credit union and he used the
 one which is being formed and the credit union may
 position the representative of the credit union to release it
 in any given year out of
 Now, the credit union, at an annual meeting,



1 you see would pass a resolution requesting the Super-
2 intendent : . .

3 MR. MacDONALD: But they can do that anyway
4 if the reserve is up to 10 per cent --

5 MR. HALLINAN: Yes.

6 MR. MacDONALD: So, this is just an added . . .

7 MR. HALLINAN: Well in fact, you see -- sometimes
8 they are growing so fast that they never catch up to that
9 10 per cent.

10 MR. MacDONALD: Oh, yes.

11 MR. HALLINAN: And yet, the thing is unrealistic.

12 Well, take for example in the League itself.

13 In our League centre which is a credit union for credit
14 unions, we have loaned out \$55,000,000.00 in twenty years.
15 Our guarantee fund is \$275,000.00, and in those twenty years
16 we have written off thirty-three thousand. So, it's
17 unrealistic.

18 MR. SEDGEWICK: For fifteen-hundred a year
19 from income.

20 MR. IRWIN: I would like to ask another line
21 of questions: On page 1 you refer to the amount of
22 loan -- "any member at any time shall not exceed one

23 "thousand dollars in excess of the member's

24 "saving, or, five per cent of the credit union's

25 "capital; deposits and surplus in excess of

26 "the member's savings, whichever is the

27 "greater."

28 When I first read that, I interpreted it this
29 way, and maybe that is still the way to interpret it.

30 Do you mean to say that if I, as a member of a credit union



MR. MEDONALD: But how can we do that in any
if the reserve is up to 10 per cent --

MR. HALL: Yes.

MR. MEDONALD: So, this is just an added.

MR. HALL: Well, in fact, we are -- something.

They are growing so fast that they never catch up to that
10 per cent.

MR. MEDONALD: Oh, yes.

MR. HALL: And yet, the thing is unrealistic.

Well, take for example in the League itself.

In our League census which is a credit union for credit

unions, we have loaned out \$5,000,000.00 in twenty years.

Our guarantee fund is \$25,000,000.00, and in those twenty years

we have written off thirty-three thousand. So, this

is unrealistic.

MR. MEDONALD: Ten fifteen-hundred a year

from income.

MR. HALL: I would like to ask another line

of questions: On page 1 you refer to the amount of

loss -- "any member at any time shall not exceed one

"thousand dollars in excess of the membership

"savings, or five per cent of the credit union's

"assets, respectively, and subject in excess of

"the member's savings, whichever is the

"greater."

When I first read that, I thought, "What is this

way, and where that is still the way to interpret it.

Do you mean to say that if I am a member of a credit union



1 came along and ask you for a loan, then I cannot get
2 more than a thousand dollars in excess of the savings
3 I have on deposit with you?

4 MR. HALLINAN: That's right.

5 MR. IRWIN: Well, do you take into account
6 any other savings I might have outside of the credit
7 union?

8 MR. HALLINAN: No. Just the amount that you
9 have in the credit union.

10 MR. IRWIN: Well, this raises the possibility
11 or, I think, consideration ~~is~~ in some ways this really
12 isn't helping the man who desperately needs money; isn't
13 that true? In other words, if I am in a bad situation
14 then I am automatically forced away from the credit union
15 to obtain whatever funds I may need in an emergency.

16 MR. HALLINAN: Well, you will note that we
17 have specified that this is for small credit unions. When
18 they first start up, they use that.

19 MR. IRWIN: Is there any other ones that
20 aren't --

21 MR. HALLINAN: Referring to the one above,
22 which is the standard by-laws:

23 "No loan shall be for more than three thousand
24 "in excess of the member's savings" . . .

25 MR. IRWIN: Which still leaves the same
26 query but at a higher level, that's all.

27 MR. HALLINAN: Yes.

28 MR. IRWIN: This is so, actually with many
29 small loans.

30 MR. HALLINAN: That's true.



came along and ask you for a loan, then I cannot say
more than a thousand dollars in excess of the savings

I have on deposit with you.

MR. HARTMAN: Is that right?

MR. HARTMAN: Well, do you have any account

any other savings I might have outside of the credit

union?

MR. HARTMAN: No, I have the money that you

own in the credit union.

MR. HARTMAN: Well, this raises the possibility

or, I think, considerably -- as you know, was John really

isn't helping the man who desperately needs money; isn't

that true? In other words, if I am in a bad situation

then I am automatically forced away from the credit union

to obtain whatever funds I may need in an emergency.

MR. HARTMAN: Well, you will have then to

have secured that this is your small credit union. When

they first start up, they use cash.

MR. HARTMAN: Is there any other ones that

MR. HARTMAN: Referring to the one above,

which is the Federal Reserve?

"No, I can't be for more than three thousand

"the amount of the member's savings."

MR. HARTMAN: Which will leave the same

very, but at a higher level, that is all.

MR. HARTMAN: That is all, actually with any



1 MR. MacDONALD: Which is three thousand dollars
2 mortgage; isn't it?

3 MR. HALLINAN: Well, yes.

4 MR. MacDONALD: Beyond that, he can get it
5 with

6 MR. HALLINAN: Oh yes, up to ten, yes.

7 MR. SEDGWICK: If he has collateral.

8 MR. BURTON: Perhaps the significance of some
9 of the big credit unions like the Steel Company in
10 Hamilton have had their by-laws amended to raise that
11 three thousand to five thousand.

12 MR. IRWIN: I see.

13 MR. BURTON: Because, they have got so much
14 bigger, and they want to accommodate their members more
15 than they were.

16 It is really a question of the availability
17 of money. The small credit union couldn't really afford
18 to lend any individual three thousand dollars, because
19 it would mean a few people getting all the money and
20 others getting none.

21 MR. IRWIN: One other question -- I am
22 going to be accused of drumming up business. But, is
23 it required of credit unions that they have an independent
24 audit by a licensed accountant?

25 MR. HALLINAN: That is a very good question.
26 There is no requirement by law, but we encourage it, and
27 more and more of our credit unions are coming into it.

28 MR. IRWIN: It raises the further question
29 again -- I exempt myself from any interest in the matter.
30 But, why should it be required under The Corporations Act



in terms of the dollar

Mr. Hamilton

Mr. Hamilton

Mr. Hamilton: Well, yes,

Mr. Hamilton: Beyond that, in a way it

Mr. Hamilton

Mr. Hamilton

Mr. Hamilton

Mr. Hamilton: Perhaps the significance of some

of the big credit unions like the Great Community

Hamilton have had their laws amended to make them

these changes to the laws

Mr. Hamilton: I see

Mr. Hamilton: Because they have not so much

big, and they want to accommodate their members more

Mr. Hamilton

It is really a question of the availability

of money. The small credit union certainly really efforts

to lend any individual three thousand dollars, because

it would mean a few people getting all the money and

others getting none.

Mr. Hamilton: One other question -- I am

going to be accused of damning a business. But, is

it required of credit unions that they give an independent

audit by a licensed accountant?

Mr. Hamilton: That is a very good question

There is no requirement by law, but we encourage it, and

more and more of our credit unions are coming into it

Mr. Hamilton: It raises the further question

again -- I thought myself that any law set for the report

But, why should it be required under the Corporation Act



1 and not under The Credit Unions Act?

2 MR. HALLINAN: I really don't know. It has just
3 been like "Topsy" -- "it just grew that way".

4 MR. SEDGWICK: Well, would it have been very
5 difficult in the case of the small credit union -- a
6 church credit union --- greatly, as I respect
7 chartered accountants, there might not be one handy.

8 I suppose their total fund would be too small
9 to warrant the expense of professional accounting services;
10 is that not true?

11 MR. HALLINAN: That is quite true.

12 MR. IRWIN: Well, I do hope you understand I
13 am not trying to promote business, but it does strike
14 me as rather odd, you say regulations are required

15
16
17 to teach us
18 discipline, but credit unions are not.

19 MR. LAWRENCE: To finish with that line --
20 one further lines -- it may be that maybe they will
21 eventually start recommending certain types of legislation
22 to the government in regards to disclosure of certain
23 matters, in regards to loans; both mortgage and others,
24 Because you have already disclosed all the pertinent
25 information you feel is required, would you, therefore,
26 have any objection at all to general legislation affect-
27 ing the credit union business in this regard? In regard
28 to mortgages.

29 MR. HALLINAN: Oh, we are very much in favour
30 of disclosing the charges and the interest rates and so on.



and that is the great thing about it.

MR. HALL: I really don't know, it has just

been like "Toby" -- "ix Jew, even your way."

MR. SHERWOOD: Well, would it have been very

difficult in the case of the small credit unit --

credit credit -- credit credit credit credit

characteristically, there might be one thing.

I suppose that the credit unit would be very small.

to warrant the expense of the credit unit, however small.

is that not true?

MR. HALL: That is quite right.

MR. SHERWOOD: Well, I do not see what is wrong.

am not trying to promote business, but I do see a little

me as rather odd, you see, regulations are necessary.

concerned in

discredit, but credit is not the only thing.

MR. SHERWOOD: The credit unit is not the only thing.

one thing is true -- it may be the only thing that will

eventually result in a more efficient system of legislation.

to the Government in regard to the discharge of duties.

maternal, in regard to law; with respect to the discharge

of duties you have already discussed in the past.

the position you feel is required, could you not consider

the credit unit as being in this regard?

MR. HALL: The credit unit is not the only thing.

of legislation, the credit unit is not the only thing.



1 As a matter of fact, the Credit Union National Association
2 has gone on record as in favour of the Croll Bill. I
3 understand the Senator is re-introducing it, and also
4 the Hazen Argue bill a few years

5 MR. LAWRENCE: And those refer to some
6 buying and conditional sales?

7 MR. HALLINAN: Yes.

8
9 MR. LAWRENCE: And we got into the mortgage
10 field as well in regard to our suggested legislation.

11 You can foresee no difficulty in it with
12 respect to credit unions?

13 MR. HALLINAN: No; in fact, we favour that
14 type.

15 MR. MacDONALD: To come back to Mr. Irwin's
16 line of questioning, I think the incredible aspect of
17 credit union history is the number of amateurs who have
18 been doing the job, if you will, more professionally;
19 in the auditing field and in the banking field.

20 I remember one time going to a city, which I
21 will leave unnamed in Ontario a few years ago, and
22 this was a rather unprepossessing chap, who was a member
23 of a trade union, as being the secretary and manager of
24 a credit union for years. Now, this fellow was handling
25 money, and was responsible for the handling of money under
26 the direction of his board of directors, obviously --
27 of millions of dollars of assets, and hundred of thousands
28 of dollars every year. And yet, if anybody had suggested
29 that, for example, here was a man who was a safe person
30 for what-you-will in the community; including, incidentally,



As a matter of fact, for credit in the National Association
has been of record as in fact of the 12th of 1911.
understand the General is not in the line of, and also
the same thing. I think it is a law of the
MR. HARRISON: And should refer to some

owing and conditional assets
MR. HARRISON: I think it is a law of the
MR. HARRISON: I think it is a law of the
MR. HARRISON: I think it is a law of the

field as well in regard to our organization.
Now can you see in this field in its
respect to credit and
MR. HARRISON: No, in fact, we have no

type.
MR. HARRISON: To come back to Mr. Harrison
line of the attorney, I think the fact is a part of
credit under history as the number of assets, and have
been done in the National Association.

in the existing field and in the existing field
I remember one time going to a city, which
will leave upland in Ontario a few years ago, and
this was a rather unorganized, and was a member

of a large union, as being the secretary and manager of
a credit union for years. Now, the union was handling
money and was responsible for the handling of money under
the direction of his board of directors, and only --

it will be of course of course, in fact of course
of course every year, and now, I think, had a part
that, for example, there was a man who was a well known
for well-known in the country, and in fact, in fact,



1 candidacy in election. I am sure if you had picked
2 some small businessman who was ~~now~~ operating a
3 store, that was doing a quarter of the business of this
4 credit union in the eyes of the public, they would
5 have said this man was more reliable -- the status symbol
6 attached to the businessman -- I am not objecting to
7 that, but the failure to attribute the status symbol in
8 terms of the experience which has been acquired by these
9 people, and with a really astoundingly good record

10

11 I mean, as far as the public is concerned, and
12 the numerous . . .

13

14 MR. BELANGER: Do you require that when
15 there is an application for a loan made, that there
16 be a co-signer for the loan?

16

17 MR. HALLINAN: Not necessarily; that is one
18 form of security. But, it isn't necessary.

18

19 MR. LAWRENCE: Is that right.

19

20 MR. HALLINAN: As is pointed out in the brief,
21 you see, there are other types of security. They will take a
22 chattel mortgage on a car, or a wage assignment, which is
23 the most popular; the wage assignment.

23

24 MR. LAWRENCE: You don't like to be in a position
25 of Macy's telling Gimbel's or vice-versa, but in the
26 caisse populaire movement, isn't that generally
27 the same lines as yours?

27

28 MR. HALLINAN: Yes, basically.

28

29 MR. LAWRENCE: I mean, they have a central . . .

29

30 MR. HALLINAN: Yes.

30

MR. LAWRENCE: . . . central organization, too?



1 candidacy in election. I am sure if you had picked

2 some small businessman who was

3 store, that was doing a business of the same order of this

4 credit union in the eyes of the public, they would

5 have said that was more reliable -- the same symbol

6 attached to the businessman -- I am not objecting to

7 that, but the failure to attribute the same symbol in

8 terms of the experience which has been acquired by these

9 people, and with a really astonishingly good record

10 I mean, as far as the public is concerned, and

11 the measure.

12 MR. BELLINGER: Do you require that man

13 there is an application for a loan made, that there

14 be a co-signer for the loan?

15 MR. BELLINGER: Not necessarily, that is one

16 form of security. But, if not necessary,

17 MR. LAWSON: Is that right?

18 MR. BELLINGER: As I pointed out in the trial,

19 you see, there are other types of security. They will take

20 collateral mortgages on a car, or a wage assignment, which is

21 the most popular, the wage assignment.

22 MR. BELLINGER: You don't like to be in a position

23 of having selling members' and vice versa, but in the

24 the same time as yourself

25 MR. BELLINGER: Yes, occasionally.

26 MR. LAWSON: I mean, they are a contract.

27 MR. BELLINGER: Yes.

28 MR. LAWSON: A mutual organization, too.



1 with supervisors, and what have you?

2 MR. IRWIN: Mr. Chairman, just a simple
3 question again: I am concerned with the discipline
4 exercised over credit unions. Are officials required to
5 be bonded?

6 MR. HALLINAN: Oh, yes. As a matter of fact,
7 we have strongly urged in most of our credit unions what
8 we call Bond 576 -- 100 per cent coverage up to
9 \$2,000,000.00.

10 MR. IRWIN: Any officer?

11 MR. HALLINAN: Yes . . .

12 MR. IRWIN: Any executive officer.

13 MR. HALLINAN: Everybody, it is a blanket policy.

14 MR. IRWIN: I see, I see.

15 MR. NODEN: The present legislation brought
16 about by the request of credit union

17 MR. HALLINAN: That is true.

18 That is true? Yes.

19 MR. BUKATOR: Are our terms of reference,
20 Mr. Chairman, broad enough to take in medical
21 These people have an excellent plan

22 THE CHAIRMAN:

23 Have you any comments to . . .

24
25 THE CHAIRMAN: Have you any comments to make
26 on the present legislation?

27 MR. HALLINAN: We are quite satisfied, with the
28 exception of the two proposals which we expected would
29 have been presented to the legislature at this session,
30 which apparently for some reason or other didn't get through.



question again. I am concerned with the discipline

exercise over credit union. The officials referred to

be handled?

MR. HALLINAN: Yes, yes. As a matter of fact,

we have strongly urged in fact on our credit union what

we call Bond 516 -- 100 per cent coverage up to

\$2,000,000.00.

MR. IRWIN: Any officials?

MR. HALLINAN: Yes.

MR. IRWIN: Yes.

MR. HALLINAN: Everybody. It is a blanket policy

MR. IRWIN: Yes, I see.

MR. HALLINAN: Yes.

about by the request of credit union

MR. HALLINAN: That is true.

That is what?

MR. HALLINAN: And our terms of reference.

Mr. Chairman, need enough to take in medical

These people have an excellent plan

MR. HALLINAN:

Have you any comments to . . .

THE CHAIRMAN: Have you any comments to make

on the present legislation?

MR. HALLINAN: We are quite satisfied with the

operation of the two proposals which we expected would

have been . . .

THE CHAIRMAN: . . .



1 One we discussed pertaining to the guarantee fund, and
2 the other section of the legislation was regulations
3 regarding secondary check, and the League was very desirous
4 that this legislation come into being as quickly as
5 possible. The Attorney-General, he has the proposals
6 on his desk, so he knows what the -- we have discussed it.
7 We have cleared the air with the Department of Insurance.
8 There is one thing I would like to point out, that there
9 is an excellent relationship between the League and the
10 Government; the Department of Insurance.

11 THE CHAIRMAN: Would you like to elaborate
12 on those two recommendations at all?

13 MR. HALLINAN: I would rather hesitate at this
14 time, because I haven't got the information with me.
15 But, it has been approved by our League Board, and
16 the Department has agreed to it. It is now in the hands
17 of the Cabinet Ministers so that I would
18 suggest maybe you take it up with him.

19 MR. IRWIN: I have a question.
20 I am pretty ignorant on credit unions, obviously. But,
21 can the credit union -- we have been talking about a
22 credit union here that is loaning money. Can that same
23 credit union also run a grocery store?

24 MR. HALLINAN: No, no.

25 MR. IRWIN: I see. This is another
26 grade of fish altogether.

27 MR. HALLINAN: Oh, yes. That is a co-operative
28 you are thinking of. You see, Section 4 of The Act, of
29 The Credit Unions Act:

30 "Credit Unions may be incorporated having for



One we discussed yesterday to the guarantee fund, and the other section of the legislation was regulations regarding secondary checks, and the latter was very desirable that this legislation come into being as quickly as possible. The Attorney-General, he has the proposal on his desk, so he knows what the we have discussed. We have cleared the air with the Department of Education. There is one thing I would like to point out, that there is an excellent relationship between the League and the Government; the Department of Education.

on these two recommendations is still. MR. HALL: I would suggest business on this time, because I haven't got the information with me. But, it has been approved by the League Board, and the Department has agreed to it. It is now in the hands of the Cabinet. I think I would suggest maybe you take it up with him. MR. HALL: I have a question.

I am pretty ignorant on credit unions, obviously. But, can the credit union -- we have been talking about a credit union here that is lending money. Can that same credit union also run a grocery store? MR. HALL: No, no.

MR. HALL: I am a member of that organization. MR. HALL: Oh, yes. That is a co-operative. You are thinking of, for new, General A. of the Army of "Credit union may be interested having for



"their purpose (object and purpose) receiving
"of money on deposit from members, and payment
"for shares; the making of loans to members
"with or without security for Crown and
"productive purposes."

And then, there are three ancillary objects:
Making loans to other credit unions; deposit money with,
and make loans to the League, subject to confirmation
by its members; make donations and gifts for advancing
the interests of the credit union.

Now, if the credit union gets 'off the beaten
path", they are in trouble.

THE CHAIRMAN: Any other questions gentlemen?
Mr. Hoffman? Mr. Reilly?

MR. REILLY: So, at the beginning he said there
were two accounts. I assume that he is referring, one,
to the savings account, and one to the shares; is that
correct?

MR. HALLINAN: That is right.

MR. BUKATOR: The only question I might
have to deal with this brief maybe shouldn't even be
asked, but you certainly don't have any objection to
complete disclosure of interest rates?

MR. HALLINAN: No. No objection whatever.

MR. IRWIN: They have the boys beat.
They don't have to be scared of that.

MR. BUKATOR: No, they have it right
there.

MR. LETHERBY: On the contrary, complete
disclosure might result in them getting more business.



"These purposes (subject to various) involving

"of money or deposits from members and general

"for various purposes of loans to members

"when or without security for loans and

"productive purposes."

and been, there are other similar purposes

Making loans to other credit unions; deposit money with

and make loans to the League, subject to confirmation

by the members; negotiations and other business

the interest of the credit union.

Now, in the credit union gets all the power

power", they are in trouble.

THE CHAIRMAN: Any other questions gentlemen?

Mr. Hillman: Mr. Bell:

MR. HILL: Yes, at the beginning he said there

were two accounts, I assume that he is referring, one,

to the savings account, and one to the others, is that

correct?

MR. HILLMAN: That is right.

MR. FURNACE: The only question I might

have to deal with this brief might also have even be

asked, but you certainly don't have any objection to

complete disclosure of interest rates?

MR. HILLMAN: Not an objection whatever.

MR. IRVIN: They have the power now.

"They don't have to be asked to do it."

MR. FURNACE: And they have to right

there.

MR. IRVIN: On the authority, complete



1 MR. BUKATOR: That is right.

2 THE CHAIRMAN: Have you anything to add, Mr.
3 Burton?

4 MR. BURTON: Yes. Mr. Sedgwick, Mr. Chairman,
5 made reference earlier about the total advantage of
6 the credit unions obtaining their exemption from corporation
7 tax --

8 MR. SEDGWICK: No. Don't misunderstand me.

9 MR. BURTON: No, no.

10 MR. SEDGWICK: I don't say that they are,
11 but I don't want it to be said to us that you are.

12 MR. BURTON: But, I only wanted to mention
13 that we had left with the Secretary, five copies of our
14 recent submission to the Royal Commission on Taxation,
15 and this might interest you, because a lot of people
16 don't understand credit unions. In particular, you
17 have the people who are making fat profits and they
18 should be taxed. We make it quite clear in our submission
19 to the Royal Commission that if credit unions were made
20 subject to corporation tax, they could virtually operate
21 at cost by reducing their interest rates as the
22 Steel Company in Hamilton already have, instead of paying
23 a rebate at the end of the year. And, thus reducing their
24 net earnings. Also, instead of members putting their
25 money into shares on which are declarable, dividends
26 is paid out of earnings -- getting members to deposit
27 money with a pre-determined fixed interest which is
28 charged against profits. Without those factors, the
29 profits -- the net earnings are reduced to as low a
30 point as the trade union can forecast what the



1 would be, and it leaves no profit.

2 MR. SEDGEWICK: No taxable profit.

3 MR. BURTON: No taxable profit. This is why
4 we claim that trade unions are non-profit organizations,
5 because literally, this can almost be

6 MR. LAWRENCE: What would be the disadvantages
7 to that to a large credit union?

8 MR. BURTON: None.

9 MR. LAWRENCE: None?

10 MR. HALLINAN: As a matter of fact, the . . .

11 MR. LAWRENCE: Well then it is not really
12 an argument, as far as . . .

13 MR. HALLINAN: Our opposition
14 are screaming for credit unions to be taxed because they
15 they think they are at an unfair advantage now. If we
16 did -- if they were taxed, and we did exactly what Mr.
17 Burton said we could do, they would be worse off --

18 MR. SEDGEWICK: You would make it much
19 tougher for them.

20 MR. HALLINAN: Sure.

21 Mr. Chairman, they can't
22 see that.

23 MR. MacDONALD: This just proves that the
24 amateurs are real professionals.

25 (Laughter.)

26 MR. LAWRENCE: Mr. Chairman, I wish to
27 comment on this, though. I agree with this suggestion
28 that it would be an unrewarding exercise on the part
29 of the Government to cause the credit unions to become
30 taxable. But, that is based solely on the assumption that

would be, and it is better to be right.

MR. BURTON: No further question. This is why

we claim that these unions are non-profit organizations,
because liberality, this can almost be

MR. LAWRENCE: Most would be the same thing

to find no a large credit union

MR. LAWRENCE: Would

MR. HALLINAN: As a member of the, the

MR. LAWRENCE: Well, then it is not really

an argument as far as

MR. LAWRENCE: Can you explain

one concerning for credit unions in the United States, they

they think they are at an unfair advantage now. If we

did -- if they were taxed, and we did exactly what Mr.

Burton said we could do, they would be worse off --

MR. LAWRENCE: You would make it much

together for them

see that.

MR. LAWRENCE: This has been given to the

unions and non-profit organizations.

(Laughter.)

MR. LAWRENCE: Mr. Chairman, I wish to

comment on your speech. I agree with your suggestion

that it would be an interesting exercise on the part

of the Government to cause the credit unions to become

taxable. But, that is based solely on the assumption that



1 they are truly non-profit. And, that leads on to the
2 further implication that the profits are distributed and
3 therefore I see a rather large hole in the situation in
4 that there is no compulsion distribution at any point and
5 this amazes me.

6 MR. MacDONALD: Except the voluntary compulsion
7 involved in the membership meeting, and if you have ever
8 attended a credit union's annual meeting you will know
9 that the compulsion is --- as I say --- is pretty strong.

10 MR. HALLINAN: You couldn't maintain members' if
11 they weren't getting a return. All you would have to do is
12 just in this one year is

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30



...that the ...
...that the ...
...that there is no ...
...this ...

...
...
...
...
...that the ...

...
...
...
...
...just in this one year is

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



1 paying a dividend

2 MR. SEDGEWICK:

3 MR. SEDGEWICK: Well, I - - I don't
4 think this is the business of this Committee.

5 Apparently the business
6 is this: Because whatever is to be done
7 about income tax would not be done here.

8 MR. HALLINAN: That is true.

9 MR. SEDGEWICK: Up or down.

10 MR. LAWRENCE: Oh, yes. I would agree.

11
12 THE CHAIRMAN: Are there any more questions,
13 gentlemen? No more questions? Well, we appreciate
14 very much you gentlemen coming

15 and your brief has been very helpful,
16 and very interesting for the Committee to learn something
17 of your operations, and we are very pleased that you
18 came forward at this time which is certainly very
19 beneficial to this Committee in planning our future
20 work and getting oriented for some of the problems
21 that we are going to have to deal with. Thank you
22 very much.

23 MR. MacDONALD: Thank you very much, Mr.
24 Chairman.

25 MR. MacDONALD: Mr. Chairman, before you
26 decide to deposit those and gather dust ---

27 THE CHAIRMAN: Can one claim one of those?

28 THE CHAIRMAN: Oh, yes, sure. Now, this
29 meeting is now adjourned and I would ask the Members to stay
for a few minutes. We have several things to discuss.

30 ---Adjourned at 3:08 p.m.



paying a dividend

MR. SEDGWICK: Well, I - I don't

think this is the business of this Committee.

Apparently the business

is to be done. Because whatever

about income tax would not be done here.

MR. HALLINAN: That is true.

MR. SEDGWICK: Up or down.

MR. LAWRENCE: Oh, yes. I would agree.

THE CHAIRMAN: Are there any more questions?

Gentlemen? No more questions? Well, we appreciate

very much you gentlemen coming

and your brief has been very helpful.

and very interesting for the Committee to learn something

of your operations, and we are very pleased that you

came forward at this time which is certainly very

beneficial to this Committee in planning our future

work and getting oriented for some of the problems.

that we are going to have to deal with. Thank you

very much.

MR. MacDONALD: Thank you very much, Mr.

Chairman.

MR. MacDONALD: Mr. Chairman, before you

decide to deposit those and gather dust --

Can one claim one of those?

THE CHAIRMAN: Oh, yes, sure. Now, this

meeting is now adjourned and I would ask the Members to stay
for a few minutes. We have several things to discuss.

---Adjourned at 3:08 p.m.

